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NATO Is Jeopardizing Peace, Bosnian Serb Leaders Warn

The Message: New Arrests Could Bring Bloodshed

By Edward Cody
Washington Post Service

PALE, Bosnia — The Bosnian Serb leadership warned Friday that the fragile peace in Bosnia had been jeopardized by a NATO operation in which a Serb accused of genocide was killed and another was flown off to face trial in The Hague.

The Serb Republic, which governs Serb-held regions of the loosely unified Bosnian state, charged in a protest letter to General William Crouch, commander of the North Atlantic Treaty Organization's peacekeeping force here, that the incident had marked "a dramatic change" in the peacekeepers' mission.

"The NATO-led force has exceeded its authority," declared Momcilo Krajisnik, the Serb

representative on federated Bosnia's three-man executive. "I am afraid we have come back to the situation we had before the Dayton peace agreement."

The official Bosnian Serb reaction, echoed by people in Pale, 12 miles (20 kilometers) east of Sarajevo, seemed designed as a warning. It conveyed the clear message that further attempts to arrest Bosnian Serbs — particularly the top wartime leadership — would be likely to produce bloodshed among the 30,000 foreign troops, including 8,500 Americans, who enforce the peace agreement reached in Dayton, Ohio, in December 1995.

Avoiding casualties has been a top priority for the Stabilization Force, as it is called, ever since it arrived here in early 1996. Fearing clashes, the NATO-led force for months resisted demands that it arrest Bosnians indicted for war crimes committed during the 1992-95 conflict. But that hesitation ended Thursday when British troops killed Simo Drljaca as he resisted arrest and captured Milan "Mico" Kovacevic.

A peace force spokesman, Major Chris Riley, said Mr. Drljaca had fired a sidearm at the approaching soldiers, wounding one in the leg. In reaction, he said, the soldiers opened fire and killed him. Major Riley declined to say how many rounds had been fired.

Mr. Drljaca's son and brother-in-law also were taken into custody after the confrontation, near a lakeside restaurant outside Prijedor. They were flown to The Hague along with Mr. Kovacevic in a U.S. C-130 Hercules transport plane but were returned home Friday after an identity check showed no charges against them.

Mr. Kovacevic, a hospital director, was scheduled to stand trial before the International Criminal Tribunal for the Former Yugoslavia. He and Mr. Drljaca, the former police chief in Prijedor, 125 miles northwest of Sarajevo, were charged in a sealed indictment with complicity in genocide against Muslims and Croats during the Serb takeover of Prijedor beginning in April 1992.

Mr. Krajisnik spoke to reporters after a meeting here in the seat of the Serb Republic's government with Robert Frowick, Bosnia representative of the Organization for Security and Cooperation in Europe, and with ambassadors from the five contact countries seeking to restore peace to the troubled republics of former Yugoslavia: the United States, France, Britain, Germany and Russia.

"People fear something has changed which could bring into question the implementation of the Dayton peace agreement," Mr. Krajisnik warned.

Major Riley, briefing reporters in Sarajevo, the Bosnian capital, insisted that the peace force mandate remained unchanged: to arrest those indicted

Raid in Bosnia: A Turning Point For Peacekeepers

By Steven Erlanger
New York Times Service

WASHINGTON — Planning began weeks ago for the British military operation that led to the capture of a Bosnian Serb war-crimes suspect and the killing of another, marking an important shift in NATO strategy, U.S. and British officials said Friday.

The raid, they added, was prompted in part by the new British government of Prime Minister Tony Blair.

The raid, carried out Thursday, was by British troops under NATO command and aided by U.S. logistical and intelligence support. It followed a year of strong opposition by U.S. officials to the use of alliance troops to pursue war-crimes suspects.

It is a sign of the new aggressiveness in carrying out the mandate of the troops in Bosnia that Secretary of State Madeleine Albright insisted on, despite reluctance by the military.

Mr. Blair and President Bill Clinton approved the operation.

British officials said the arrest orders for the two Bosnian Serbs "were the first ones, but not the last ones."

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President Emil Constantinescu of Romania, left, and President Bill Clinton shaking hands in front of a crowd in Bucharest on Friday.

Romania Hears Clinton's Pledge

Staying Course of Reform Will 'Open Door' to NATO

By Michael Dobbs
Washington Post Service

BUCHAREST — Making the first visit to post-Communist Romania by an American leader, President Bill Clinton assured Romanians on Friday that their country would get into NATO provided it "stays the course" of radical economic reform.

Mr. Clinton's trip to Bucharest was designed to overcome the disappointment felt by many Romanians over his rejection of their country's bid to join the alliance's first expansion, along with Poland, Hungary, and the Czech Republic.

"The door to NATO is open. It will stay open. And we will help you walk through it," the president told thousands of flag-waving Romanians chanting, "NATO, NATO!" and "Clinton, Clinton!"

"The Romanian people have won the world's respect for moving so far, so fast," Mr. Clinton added.

The meeting took place in University Square, where dozens of pro-democracy demonstrators were gunned down by the Romanian secret police in December 1989 during protests against the former dictator Nicolae Ceausescu. This time, there was a festive atmosphere, with people playing saxophones in Mr. Clinton's honor and one man carrying a handwritten banner that read, "Bill, don't sell us to Russia."

Telling the crowd that he was aware of Romania's desire to join the North Atlantic Treaty Organization at the earliest possible date, Mr. Clinton added: "I want that too — for Europe, America, and you. I say to you today: Stay the course."

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Lower Inflation Buys U.S. Markets

By Mitchell Martin
International Herald Tribune

The Dollar			
	Friday @ 4 P.M.	previous close	
New York	1.777	1.751	
DM	1.777	1.751	
Pound	1.683	1.685	
Yen	113.98	113.105	
FF	5.925	5.92	

The Dow			
	Friday close	previous close	
	7921.82	7886.76	
+35.06			
S&P 500			
	Friday @ 4 P.M.	previous close	
change	916.66	913.77	
+2.89			

NEW YORK — American wholesale prices fell for the sixth consecutive month in June, the government reported Friday, the first time in 50 years of such statistics that there has been such a long span of deflation.

The news gave a lift to financial markets, with interest rates on 30-year bonds falling to the lowest levels of 1997 and stock prices resuming their advances toward record levels. Computer-related shares did especially well, sending the Nasdaq Composite Index, which includes many technology shares, past the 1,500 level to a new record.

America's technology industry is widely cred-

ited with increasing the efficiency of the American economy, although the benefits are hard to quantify and do not show up in many official statistics. Still, interest rates are falling, unemployment is low, and corporate profits are on an upward trend, and even the relatively strong growth of the economy cannot explain that unless productivity is rising faster than the official measures show.

Even the most optimistic of economists does not suggest that the U.S. economy can continue to grow at its current pace, creating jobs but not inflation.

While it does, though, Americans are getting richer as their money maintains its purchasing

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FIRE KILLS 78 IN THAILAND — A child being rescued Friday from a fire in the Royal Jomtien Resort hotel in Pattaya. At least 78 people died, and dozens were injured. Page 3.

AGENDA

57 Years After Nazi Seizure, Looted Painting Goes Home

After the German Army occupied France in 1940, art specialists criss-crossed the country in search of valuable art to send home to Hitler and Goering. In a villa west of Paris, they found a painting by Albert Gleizes. The painting, "Landscape of Meudon," was shown in Paris and occasionally elsewhere until this month, when the Musee National d'Art Moderne returned it to the family of Alphonse Kann, the owner who was abroad when the Germans arrived.

There is criticism that French art authorities have shown little vigor in trying to locate, identify and return such confiscated art to the owners or relatives. Page 3.

British Telecom Reconsidering Its Takeover Bid for MCI Corp.

British Telecom said Friday that it could not rule out renegotiating its \$24 billion takeover of MCI Corp. after the second-biggest U.S. long-distance carrier issued a profit warning.

MCI said late Thursday that it expected to post a loss for its local phone business of \$800 million in 1997 — twice what it previously forecast — and possibly more in 1998. As investors wiped more than \$2 billion (\$3.38 billion) off BT's market value, the company called it a "complex situation." Page 11.

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The IHT on-line: http://www.iht.com	

Manila Lets Peso Float As Currencies Face Fire

Malaysian Ringgit and Thai Baht Decline

By Michael Richardson
International Herald Tribune

SINGAPORE — The Philippines effectively devalued its currency Friday as speculative attacks on Southeast Asian currencies intensified, further unsettling financial markets already concerned by slower growth, a property glut and mounting loan problems.

The Philippine move to let the peso float, which caught markets by surprise because authorities in Manila had sworn they would defend it, contributed to sharp falls by other vulnerable currencies, including the Thai baht and the Malaysian ringgit.

But the news pushed Philippine stocks higher, with the benchmark index of the Manila Stock Exchange recording its largest single-day rise in four years, at 7.57 percent, as investors saw a cheaper currency and the prospects of lower interest rates spurring economic growth.

The peso plunged 12 percent, as the dollar rose to 29.45 pesos, its highest level since September 1993, from 26.27 pesos Thursday.

Some traders said they expected further substantial drops in the peso and the baht, which Bangkok effectively devalued July 2, when trading resumed Monday in Asia, as both currencies are still considered overvalued.

Gabriel Singson, governor of the Philippine central bank, said he had decided to let the peso-dollar exchange rate fluctuate within a wider range to "remove the incentive for speculation" and to allow interest rates to decline gradually to a level "more compatible with the economy's requirements for sustainable economic growth."

But he added, "We expect the peso to be very volatile in the first few days, while it is seeking its true value."

President Fidel Ramos said the action "reaffirms the government's commitment to do whatever is necessary to sustain our economic growth, control



Mr. Singson, the central bank chief, widening the trading range Friday.

inflation and generate employment through, among others, the protection of our international reserves." Agency France-Press reported from Manila.

In making the policy change, it was clear that the central bank had decided it could no longer afford to keep pumping dollars into the market to defend the peso. The bank is betting that it will now be able to trim interest rates and keep the Philippines' six-year economic recovery on track.

Based on the central bank's latest figures, official reserves had fallen by \$2.5 billion to just \$10 billion since

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France Decides Not to Sell Thomson

France's Socialist government said Friday that it would not sell off its majority stake in Thomson-CSF, Europe's leading defense electronics company, casting doubts on projects to restructure the European defense industry to meet intensifying American competition.

But Prime Minister Lionel Jospin

said the government would consider possible future mergers to strengthen the Europe defense industry. The previous conservative government had decided to sell Thomson.

The privatization had seemed likely to touch off a major realignment of the European defense industry. Page 11.

Orangemen Take a Step Back From Brink in Ulster

Compiled by Our Staff From Dispatches

BELFAST — British officials praised Northern Ireland's main pro-Protestant organization on Friday for calling off four marches through Roman Catholic areas and challenged the Irish Republican Army to respond with a new cease-fire.

Newsstand Prices			
Andorra	10.00 FF	Lebanon	11.3,000
Antilles	12.50 FF	Morocco	16 Dh
Cameroun	1.800 CFA	Qatar	10.00 Rials
Egypt	3.500 CFA	Reunion	12.50 FF
France	10.00 FF	Saudi Arabia	10.00 R
Gabon	11.00 CFA	Senegal	1.100 CFA
Italy	2.800 Lire	Spain	225 PTAS
Ivory Coast	1.250 CFA	Tunisia	1.250 Din
Jordan	1.250 JD	U.A.E.	10.00 Dirh
Kuwait	700 Fils	U.S. Mil. (Eur.)	\$1.20

Roman Catholic groups had threatened to swamp Belfast and London-derry with mass protests, and political sources said security chiefs told Orange leaders that it could not guarantee the safety of marchers.

The decision was a major concession to Catholic nationalists. But it angered Orange hard-liners who saw it as a surrender to Sinn Fein and the Irish Republican Army, who have fought British rule in Northern Ireland for three decades.

Joel Panton, leader of the far-right Spirit of Drumcree group, said: "It isn't a compromise. It's a capitulation."

He disputed predictions that the concession might persuade the IRA to call a new cease-fire, the price that Britain has demanded for the group's entry into Northern Ireland peace talks.

A hard-line Protestant leader, the Reverend Ian Paisley, said the Orange Order had surrendered by canceling or rerouting Saturday's marches.

The Northern Ireland secretary, Marjorie (Mo) Mowlam, said in a BBC radio interview: "Being willing to make a decision as the Orange have is not a dirty word where human lives are at stake. It's very courageous."

"The fundamental issues are still to be dealt with," she said, "and I hope the IRA will announce an unequivocal cease-fire."

In a decision late Thursday, the Orange Order called off traditional parades in Belfast and Newry, south of Belfast, rerouted another away from a hostile Catholic neighborhood in Armagh, and most surprisingly of all moved an entire march planned for Londonderry, the province's second-largest city, to the nearby town of Limavady.

Catholic opposition had threatened new and violent confrontations after three nights of rioting over another Orange march last Sunday.

In Dublin, the Irish government said that the Orange Order had made a "pos-

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'Surreal' Campaign Fund Hearings

By Guy Gugliotta
Washington Post Service

WASHINGTON — Senators investigating campaign finance abuse have had plenty of theories to expound on and even more questions. But at the end of their first week of hearings, they were still scrambling for answers and not finding any.

Senator Richard Durbin, Democrat of Illinois, told other senators of the Governmental Affairs Committee on Thursday that he found a "surreal quality to the hearing." To Richard Sullivan, the first witness, he said: "I find it hard to understand some of the questions that have been asked of you."

In fact, many of the questions, like Mr. Durbin's own, were not questions at all. They were speeches, opinions and interpretations offered by the senators themselves. Some of these they missed to Mr. Sullivan for comment, and if he declined to have an opinion, they filled in the blanks.

The Republicans had expected Mr. Sullivan, the former finance director of the Democratic National Committee, to help them show that illegal foreign contributions had been knowingly accepted or even solicited for President Bill Clinton's re-election campaign.

But Mr. Sullivan either could not or would not provide it, and by the end of

the day Thursday frustrated Republicans on the committee were trying to make their case with little or no help from the opening witness.

For long periods, Mr. Sullivan was a spectator at his own hearing, while senators told him about allegations he would not substantiate: that the White House indecorously pushed the Democratic National Committee to hire John Huang as a fund-raiser; that the committee suspected Mr. Huang of soliciting illegal foreign contributions; that the White House either looked the other way or was complicitous when illegal contributions began to roll in.

"Let me take you through this and see what you think," Senator Susan Collins, Republican of Maine, said, as she discussed the 16 times Clinton administration officials tried to interest the Democratic National Committee in hiring Mr. Huang.

She showed dated slides documenting the contacts: "I found that you aren't involved in all these contacts," Ms. Collins said, asking Mr. Sullivan if now that he had seen the evidence, did he think the White House had overstepped its bounds?

Mr. Sullivan hemmed and hawed and finally said: "I can't answer your question." As the day wore on, he began prefacing his answers with phrases such as: "As I have said 15 times before..."

First to lean on Mr. Sullivan was the committee chairman, Fred Thompson, Republican of Tennessee, who tried for 30 minutes to get him to say that he had misgivings about Mr. Huang and feared that Mr. Huang "might in the future sometime raise foreign money, or money that would not be under the rules."

For this reason, Mr. Thompson suggested, Mr. Sullivan had ordered special training for Mr. Huang in the ethics of campaign finance. "Is that not true?" Mr. Thompson asked.

"That's not correct," Mr. Sullivan replied, saying that Mr. Huang, unlike other fund-raisers, was inexperienced, and needed instruction.

Mr. Thompson continued. He said Mr. Sullivan was bothered about Mr. Huang's desire to help get foreign nationals into White House coffers. Yes, Mr. Sullivan replied, but only because foreigners cannot contribute money.

Mr. Thompson said the Democratic National Committee eventually decided not to let Mr. Huang organize any more functions involving Mr. Clinton. Mr. Sullivan said that was because he had been raising too much unregulated "soft money," and "not the hard federal dollars we desperately needed." By the afternoon, some senators on both sides were all but ignoring Mr. Sullivan.

The hearings resume Tuesday.

POLITICAL NOTES

House Votes to Shut Arts Agency

WASHINGTON — By a one-vote margin, the House of Representatives has voted to dismantle the National Endowment for the Arts, a perennial target of conservatives. After the House speaker, Newt Gingrich, proposed replacing the agency's nearly \$100 million annual budget with block grants to the states.

The vote, although politically significant, is unlikely to represent the 33-year-old arts agency's last gasp. There is significant support for the agency in the Senate, and President Bill Clinton has vowed to veto the Interior Department's appropriations bill if the legislation authorizes shutting it down.

The House decision came Thursday in a 217-to-216 procedural vote. Mr. Gingrich won over some Republican supporters of the agency by offering to replace it with \$80 million in block grants, of which nearly \$30 million would go to state art commissions and \$48 million to local school boards. The rest would be for administrative costs. (NYT)

Medicare at Age 65 Is Retained

WASHINGTON — Congressional negotiators have ruled out a Senate plan to raise the eligibility age for Medicare recipients to 67 from 65 as they met to meld House and Senate bills into a final balanced-budget and tax package.

Critics, including the White House and seniors' groups, charged that the planned change, to be phased in over decades, eventually would leave many retired people without health-care coverage for as long as two years. (WP)

Reno Blocks Ouster of Refugees

WASHINGTON — Attorney General Janet Reno has intervened to prevent the possible deportation of tens of thousands of refugees from civil wars in Central America whose status was changed by a provision of the immigration law enacted last year.

Ms. Reno said she would suspend a February ruling by the Board of Immigration Appeals that held that the provision should be applied retroactively. She said that because of the ruling, nearly 300,000 people who had qualified to apply to remain in the United States could no longer do so.

At issue are people who entered the United States under special programs for refugees from wars in El Salvador, Guatemala and Nicaragua. The new law makes it much more difficult for them to get permanent residency and avoid deportation, and the ruling in February applied the law to immigrants who were in the process of attaining legal status under the old law. (NYT)

Quote/Unquote

Richard Armitage, the House majority leader, as the chamber debated a bill to abolish federal subsidies for the arts: "The National Endowment for the Arts has been the single most visible and deplorable black mark on the arts in America that I have seen in my lifetime." (NYT)

Away From Politics

people were hurt and the plane was forced to make an emergency landing. The plane was Flight 242, from Seattle to New York. (AP)

• Malcolm Shabazz, 12, the grandson of the slain black leader Malcolm X, pleaded guilty in New York to setting the fire last month that killed his grandmother, Betty Shabazz. (WP)

• Severe turbulence threw an American Airlines flight into a terrifying drop that slammed passengers into the ceiling. At least 22

A Looted Painting Goes Home

Paris Museum Releases a Gleizes Work Seized by the Nazis

By Barry James
International Herald Tribune

PARIS — A valuable cubist painting has at last gone back to the French family from which it was looted by the Nazis 57 years ago.

Since the end of World War II, when the painting was recovered, the 146-centimeter-by-115-centimeter (57-inch-by-45-inch) abstract landscape by Albert Gleizes has been in the possession of the French government.

It formed part of the collection at the National Museum of Modern Art at the Pompidou Center in Paris, which lent it over the years to international exhibitions.

The painting, done in 1911 by Albert Gleizes, a French artist who died in 1953, once hung in the home of Alphonse Kann, at St. Germain-en-Laye, west of Paris.

Mr. Kann was a key figure in prewar art collecting.

Believed to have been a model for Proust's character Charles Swann, Mr. Kann amassed more than 1,200 old masters, 19th-century and also modern paintings as well as other art objects.

When Germany invaded France in 1940, specialist units with detailed art lists followed the troops, seizing art collections and carefully cataloging them before shipping selected works to Germany — many destined personally for Hitler and Goering.

The Nazis used a network of shady dealers in the thriving wartime art market in Paris to harter or sell "degenerate" modern works,

thereby scattering some collections around the world.

Mr. Kann, who was in England when the Germans overran France, died after the war before recovering all his art.

His heir, Francis Wavrin, a great nephew, had no idea that the Gleizes and other Kann family works, including a Picasso in the museum at Rennes, were in French hands. The information in archives, was not made public.

France has more than 2,000 unclaimed, high-quality works of art in the MNR, or National Museum of Recovery. Most of these are on permanent loan to museums, where to all intents and purposes they form part of the permanent collections — as did the Gleizes painting.

It was the first time that a museum had returned an object from its MNR collection.

The museums' official position has always been that they did their best to find the owners of unclaimed art.

A writer, Hector Feliciano, established the connection between the Gleizes painting and the Kann heirs while researching his book, "The Lost Museum."

He said the Pompidou Center could have easily done what he did: check the German catalog mark on the back of the painting that identified it as coming from the Kann collection; check the Foreign Ministry list of paintings recovered by the Allies and returned to France, and consult with an art historian to confirm that the date and dimensions of the painting conformed



"Landscape of Meudon," painted by Albert Gleizes in 1911, was returned to owner's family.

with the inventory of the artists work.

Furthermore, he added, there was never any secret that several heirs of the Kann family were still in Paris.

"The museum had everything it needed to solve this riddle," he said. "The key question is: How hard did it try?"

Mr. Wavrin said the painting was handed back without ceremony a few days ago. The museum has yet to announce the return but a spokesman confirmed it. Mr. Wavrin said he

thought the museum was "embarrassed."

He said that if the French government had made public the information it had about the looted works as far back as 1953, he would have been able to find out about, and prevent, several sales of works that had been looted to his great-uncle.

Last year, the Cour des Comptes, the French government accounting office, strongly criticized the administration of French museums for not making enough effort to return works to owners.

Uneasy Choice for Cambodia Aid Donors

By Seth Mydans
New York Times Service

PHNOM PENH — As foreign governments began to cut their aid programs as punishment for the coup last week-end, embassies here received an unexpected letter Friday from the National Assembly.

"We appeal to you to give us humanitarian assistance, either financial or material," the letter reads, "so that we can join the Royal Government in bringing financial help to the victims."

It was an astonishing plea, coming just days after a violent assault that seemed to put an end to the democratic government and liberal society these same countries had joined to foster here four years ago at the cost of \$2 billion.

"This is insulting now," a European diplomat said. "They've destroyed everything and now they are asking us, 'Can you pay for it?' I wonder if any embassy will be crazy enough to send anything."

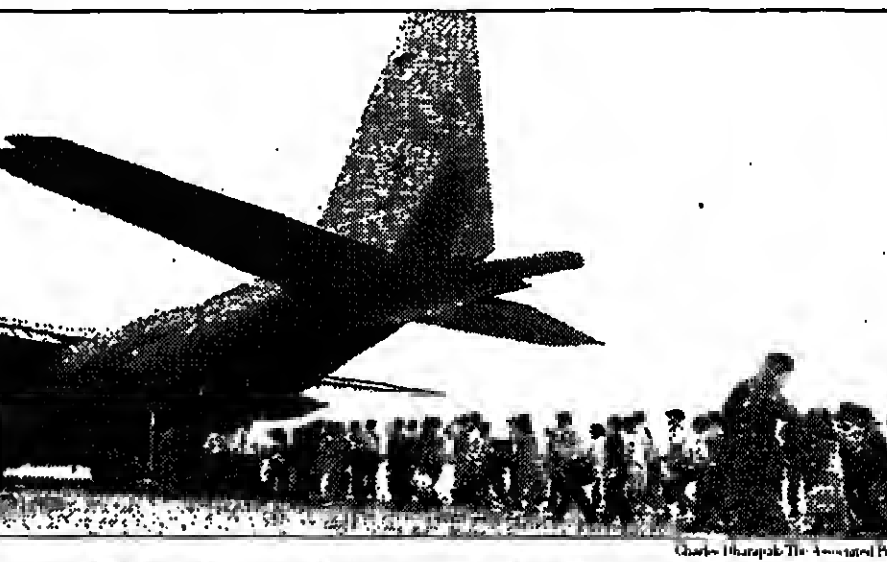
That choice may be an easy one to make. Much more difficult is the decision that now faces the international community over how to respond in the longer term to the ouster by one of the country's co-prime ministers, Hun Sen, of his rival, Prince Norodom Ranariddh.

In two days of heavy fighting, Mr. Hun Sen's troops defeated soldiers loyal to Prince Ranariddh, who was abroad at the time. Mr. Hun Sen says Prince Ranariddh will be arrested if he returns home, and the prince is appealing to foreign governments to support his right to his elected office.

"It's a real quandary how to play this," another diplomat said. The coup is a fait accompli, he said, and there is virtually no realistic possibility of the prince's resuming his political role in Cambodia.

"It's very difficult to see a satisfactory, principled solution that is also beneficial to the people of Cambodia," the diplomat said.

The problem, he said, is how to avoid endorsing the coup while finding a way to foster the most democratic



An Australian airman directing evacuees onto a plane Friday in Phnom Penh.

and least repressive future for the country.

A consensus has already emerged that the first step is to condemn and to punish, to underscore the world's refusal to accept the overthrow of a leader chosen in 1993 by an election arranged and paid for by the United Nations.

Already, the United States, Japan and Germany have announced the suspension of aid programs and Australia is considering a similar move. The United Nations and the United States and other countries have made strong statements of concern.

In a gesture of no-confidence, the United States, Australia and several Asian and European nations are evacuating many of their citizens. Washington is reducing the staff of its embassy to 20 people from 61.

And in a painful rebuke from Mr. Hun Sen's peers, the Association of South East Asian Nations decided Thursday to defer the planned introduction this month of Cambodia as a member.

But if Cambodia is to be helped from sliding into civil war or coming under the grip of a repressive dictatorship, the next steps are more delicate.

How is the world, which has made such an investment in Cambodian democracy, to continue to uphold its ideals

without pushing Mr. Hun Sen into a corner by treating him as a pariah?

One diplomat responded with a series of questions of his own.

"How long can the international community continue to support Ranariddh's right to his elected position?" he said. "If we continue to support Ranariddh, how will that benefit Cambodia? But if we do not support him, it seems an explicit acknowledgment of the failure of the international intervention in Cambodia."

"We are in a bit of a pickle at the moment," he added.

Several diplomats made the point that the heroes and villains here are far from clear-cut. The coup was the culmination of months of fighting and military buildup on both sides during which scant attention was paid to the business of government.

Most of the country's budget — nearly half of which comes from international donations — was drained away by corruption and the

creation of personal armies.

"Both prime ministers must take responsibility for failing the nation," a diplomat said. "One has to ask the question: Did either of them really care about the people as they proceeded with their grandstanding and sniping at each other and jostling for position?"

There seemed little enthusiasm among diplomats here for the economic sanctions that have been proposed by some politicians abroad.

Already the economy is beginning to suffer from the abrupt halt in tourism and the closure — whether temporary or long-term — of the foreign enterprises that had begun to bring employment to a nation made up largely of subsistence farmers.

The shutdown of several garment factories on the western outskirts of Phnom Penh has already cost the jobs of some 6,000 people, mostly young women who had become the economic support of their families.

Kissing

• HIV is isolated from saliva in low amounts, even the presence of gum disease.

• No case of AIDS reported to the centers has been attributed to exposure to saliva.

• Transmission of HIV in association with kissing has not been documented in studies of nonsexual contacts of HIV-infected individuals.

Dr. Holmberg said the public-health message that carers' officials were trying to convey was that even when a sex partner was infected and the couples took recommended precautions, the risk of transmission through deep kissing, although very small, is not zero.

Mars Scientists Lose a Day To an Error

The Associated Press

PASADENA, California — Scientists failed to pull the Mars rover off a rock where it has been stuck because a miscalculation kept the mother ship from getting its daily radio instructions, NASA said Friday.

The miscue left the Sojourner rover propped against a fat-bottomed rock for a second day and deprived scientists of a full day's worth of data from the rover and the Pathfinder lander ship.

"One miscalculation cost us the whole evening," said Brian Muirhead, deputy project manager.

The Sojourner rover was designed to operate for a minimum of seven days and the Pathfinder for 30 days, but mission controllers expect each to run for far longer. So the day of missed data was not expected to be a serious loss.

"This is the kind of error that you worry about a lot," Mr. Muirhead said. "It's unfortunate. It's not dangerous. You've got to be a little more careful."

The communications problem actually began Wednesday with fault in an instruction that was supposed to have had the Pathfinder turn on its radio receiver to get instructions, Mr. Muirhead said. So it never got the instructions sent late Thursday.

Without those orders, neither the rover nor the sophisticated camera on the Pathfinder could carry out their day's work.

Without the instructions, the Pathfinder did not send down a day's worth of data and pictures from the red planet, Mr. Muirhead said. All scientists got was "health data," that show how Pathfinder is operating.

Scientists planned to resend the signal Friday, and both the rover and the camera on the Pathfinder mother ship were expected to continue their work without other ill effects, he said.

Fire at a Thai Resort Kills 78; Locked Exits Trapped Many

Compiled by Our Staff From Dispatches

BANGKOK — Fire swept through a hotel in the Thai beach resort of Pattaya on Friday, killing at least 78 people, many of whom were trapped behind locked emergency exits, officials said.

Thirteen foreigners died in the inferno at the Royal Jomtien Resort, including two Belgians, one Hungarian, three Koreans and a U.S. national, the police said. Two children also died.

The blaze, which started about 10:20 A.M. on the ground floor of the 16-story, 400-room hotel, took 10 hours to extinguish after rapidly sweeping up the stairwells to the top of the building, the police said.

Hotel workers told firemen a gas canister exploded in one of the hotel's kitchens, setting off the conflagration.

Pattaya, 150 kilometers (85 miles) south of Bangkok, is a popular weekend destination for capital residents and foreign tourists. It is also a well-known destination for foreign travelers on relatively inexpensive tours looking for lively nightlife.

Television showed rescuers on the roof pulling a child, clinging to a rope, to safety through black smoke. Many others

were not so lucky. Television broadcast images of rows of charred bodies being wrapped in plastic sheets and taken away.

Most of the victims were Thai. An additional 65 people were injured in the fire. At least one man jumped to his death from the 11th floor, the police said.

Interior Minister Sanoh Thienthong said that the hotel had locked all fire exit doors and that this had partly accounted for the high death toll. "One of the sad things for this hotel is that they locked their doors," he said. "I learned from the hotel owner that they locked them to prevent guests from running off without paying their bills."

Press reports said the hotel's sprinkler system was inadequate. In some areas there were no alarms. Alarms that had been installed in various parts of the hotel were reportedly found to be defective.

The disaster was the worst in a Thai hotel since Aug. 13, 1993, when the Royal Plaza in the northeast town of Nakhon Ratchasima collapsed, killing 137 people. The architect in charge of construction was sentenced last month to 20 years in prison for violating construction regulations. (AFP, Reuters)

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The Leading Hotels of the World

Romania Looks Beyond the Rebuff

Rather Than Sulk on NATO, It Prepares for the Next Time

By Jane Perlez
New York Times Service

BUCHAREST — Constantin Ionescu, Romania's deputy secretary of defense, was grabbing for every piece of information. He fiddled with the knobs on the radio. He played with the television remote control. He watched as fax pages with the latest news-agency reports from Madrid tumbled to the floor.

Realistically, he knew that his country would not be part of the first group invited to join NATO at the alliance's summit meeting in Madrid.

But the precise wording of the final communiqué was all important. When an aide rushed in with the official text, Mr. Ionescu marked the critical paragraph with his fountain pen.

"Not very good, not very bad," he concluded. After special pleading by France, Romania was singled out in the communiqué, along with Slovenia, as aspiring members that have made progress in reforms. The document also said expansion would be reviewed in 1999.

But the specific pledge Mr. Ionescu had hoped for — that Romania would be a prime NATO candidate two years from now — was not there.

Since the new Romanian government — the first since the revolution that overthrew Nicolae Ceausescu in 1989 to be led by politicians with no ties to the former Communists — took power seven months ago, its leaders have campaigned aggressively for inclusion in the North Atlantic Treaty Organization.

The new Romanian president, Emil Constantinescu, courted Europe. King Michael was enlisted to press Romania's case. The youthful prime minister, Victor Ciorbea, went to Washington, where he impressed officials as a breath of fresh air after years of stodgy former Communists in power in Bucharest.

But Romania fell short because the White House believed a limited list of three new countries had a better chance of gaining approval in the Senate and because the efforts at reform here were seven months deep and not seven years deep like the changes in the Czech Republic, Hungary and Poland.

But rather than sulk, Romanians, from government officials to people in the street, were putting the best face on their disappointment.

"Romania is a winner here," said Mr. Ionescu, after he had adjusted to the news from Madrid. "We've been recognized as a player — not an important one — but as a country that is to be taken account of."

The rejection of Romania could have a galvanizing effect on reforms already in motion here, said Vladimir Tismaneanu, professor of politics at the University of Maryland and a frequent visitor here.

"It's a kind of cold shower, a reality check," he said. "It will make them do the structural reforms they need."

Already, the government has imposed an austerity package that won the backing of the International Monetary Fund, which had severed relations with the

previous Romanian government. The top echelons of the military were swept aside by Mr. Constantinescu, and General Constantin Degeratu was appointed chief of staff. The head of the domestic intelligence service for the last seven years, Virgil Magureanu, who was part of the Communist-era intelligence service, was also dismissed.

But there is still much to do to catch up to the gains made by the Czech Republic, Hungary and Poland, Mr. Tismaneanu said.

Because the governing coalition in Parliament is in such disarray, for example, little legislation has been passed in the last seven months.

Thus, Mr. Constantinescu, like his predecessor, President Ion Iliescu, must govern by decree. The foreign intelligence service, a spy operation notorious for its hardball tactics, is still run by agents who had positions in the Ceausescu dictatorship.

Mr. Ionescu acknowledged that for Romania to be acceptable to NATO, the foreign intelligence service needed to be cleaned out.

Mr. Ionescu said he would be looking for a pledge of an enhanced relationship between Romania and the United States when President Bill Clinton visited here to deliver reassurances to the Romanians that they were headed in the right direction.

He described the visit as a good omen.

"At least, NATO enlargement gave us a chance to introduce ourselves," he said. "We will keep on fighting."



EXHUMING THE PAST — Belarusian soldiers digging up the remains of German soldiers killed during World War II in the Stanevo Forest outside Minsk, in preparation for an official reburial. The Germans were taken prisoner by Russian forces in 1944. After the commander of the Russian unit was killed by a German sniper, all the prisoners were executed in reprisal. A local peasant helped uncover the mass grave.

New Era in Mexico, Final Tally Shows

MEXICO CITY — Mexico's ruling Institutional Revolutionary Party lost its majority in the governing lower house of Congress in midterm elections, final official results have confirmed.

The party fell short of the minimum of 167 of 300 directly elected seats it needed to clinch a majority, the results showed. With returns from of the 300 races counted, the party had won 159, compared with 69 for the leftist Party of the Democratic Revolution and 65 for the conservative National Action Party.

An additional 200 seats in the 500-member body are to be allotted proportionally according to each party's share of the overall vote, but the Federal Electoral Institute offered no official

data on each party's share thus far. Under Mexico's complex electoral system, the governing party needed at least 167 of the directly elected seats and 42.2 percent of the overall vote to win a majority. Results of a preliminary count by the electoral institute made public

Monday showed the party winning about 39 percent of the vote with nearly 90 percent of the returns counted. The ballot marked a historic change in the power balance by giving the opposition its first serious voice in government in seven decades, analysts said.

Tests Show Body Is Drug Chief's

MEXICO CITY — DNA tests confirm that a corpse seized last week by law-enforcement authorities is that of Amado Carrillo Fuentes, once Mexico's most powerful drug lord, the Mexican attorney general's office has announced.

Test results were released Thursday after five days of speculation about the body, which U.S. officials identified Saturday as that of Mr. Carrillo, 41, chief of the Juarez drug cartel, who became one of the world's paramount drug traffickers after establishing links between Mexican and Colombian organizations.

ROMANIA: Staying Course Will 'Open Door' to NATO, Clinton Says

Continued from Page 1

and Romania will cross that milestone. The president described Romania as one of the "strongest candidates" for the second wave of expansion, which is to be decided upon at the next NATO summit meeting in 1999. Earlier, he told President

Emil Constantinescu of Romania that he had been "impressed" by the country's strides toward free-market democracy, particularly since the election of a new rightist government in November 1996. He said the country's progress in the past seven months had been "phenomenal."

Despite Mr. Clinton's decision to veto Romania's desire to join NATO in the first wave of expansion, enthusiasm for America remains high in this Balkan nation of 23 million people. Polls show that an overwhelming majority of Romanians view a military alliance with the United States as the ultimate rejection of their Communist past and forcible incorporation into the Soviet bloc after World War II.

The Romanian prime minister, Victor Ciorbea, said in an interview that his government was fully aware that NATO membership would be linked to its continued pursuit of radical economic reforms.

"Historically and culturally, we believe we belong in the West," Mr. Ciorbea said, referring to Romania's Latin

heritage, which contrasts with that of neighboring Slavic countries. "Our wish to become a member of NATO is not a temporary policy designed to fool the people into forgetting the hardships of economic reform but is a definitive, irrevocable option for us."

Romanians have traditionally turned out in force to greet American presidents. Richard Nixon received an ecstatic welcome on the streets of Bucharest in August 1969, when he became the first U.S. president to visit Romania, as did Gerald Ford in August 1975.

As in Communist times, Bucharest authorities engaged in furious preparations for Mr. Clinton's visit, mobilizing thousands of workers to beautify the road from the airport and festooning the streets with American flags. The government's aim appeared to be to convince Mr. Clinton that Romania was a worthy potential U.S. ally and that there were no hard feelings about its failure to get into NATO in the first round of expansion.

Mr. Clinton's administration opposed Romania's early entry into the alliance partly out of cost considerations and partly because it felt that the country still had some way to go in consolidating its democracy and economic reforms. After the revolution of 1989, the country was ruled by former Communists who were reluctant to introduce the kind of eco-

nomie shock therapy applied in countries such as Poland and the Czech Republic.

Mr. Ciorbea's rightist government has introduced a series of radical economic reforms aimed at privatizing state-run industry and reducing a gaping hole in the budget. Inflation has been brought down to about 2 percent a month from 30 percent a month under a stabilization agreement with the International Monetary Fund.

But despite the economic progress, U.S. officials remain concerned by the lingering influence of Communists in the security service, which fired on demonstrators in December 1989 as part of a last-ditch attempt by Mr. Ceausescu to retain power. Speaking to reporters on the Air Force One flight that took Mr. Clinton from Warsaw to Bucharest, the deputy national security adviser, Jim Steinberg, said that reforming the security apparatus was something the new government "needed to focus on."

Mr. Ciorbea said several projects were being considered to root out former secret-police informers from government service, but he said priority would be given to eliminating collaborators with the old Soviet secret service, the KGB.

"If we want to integrate our army with NATO," he said, "we must make sure that the secrets of our alliance are not given to other people."

PESO: Manila Floats Currency, Worrying Southeast Asian Markets

Continued from Page 1

March, when the financial crisis in Thailand began to spill over into other parts of Southeast Asia.

"Most countries in the region are in an economic

downswing," said Paul Alapat, financial economist in the Hong Kong office of Lehman Brothers. "Some, like Thailand and the Philippines, can't afford to keep interest rates high if they want to get growth going again."

The dollar rose Friday to a record 30.03 baht from 29.00 baht the day before and to 2.5050 ringgit from 2.4900 ringgit.

"After the Philippines decided to let the currency depreciate, everybody was just trying to buy dollars against all the Asian currencies," a trader at a U.S. bank in Singapore told Reuters.

While some bankers who face foreign-exchange losses

criticized Manila's move, the International Monetary Fund praised the exchange-rate flexibility. Analysts said the decision was another shift in Southeast Asia from the long-standing policy of maintaining a close link between local currencies and the dollar.

"Holding a currency against the U.S. dollar for substantial periods can have negative implications for other investments, whether in real estate or equities," said Warwick Negus, head of the asset-management division of Goldman, Sachs & Co. in Singapore.

"When you let market forces determine the value of the currency, it leaves other parts of the economy in better shape."

But Philippine companies, which have as much as \$5 billion in foreign-currency loans outstanding, will have to find more pesos to pay off those debts.

The Philippines also runs the risk of higher inflation, because imported goods will cost more in pesos.

News that Manila had allowed the peso to find its own level prompted Indonesia to widen to 12 percent from 8 percent the amount by which it allows the rupiah to fluctuate against the dollar.

The new intervention range calls for the dollar to fluctuate between 2,374 rupiah and 2,678 rupiah. Indonesia has a policy of managed depreciation for the

rupiah to help keep its exports competitive. Dealers said the rupiah remained relatively stable after the widening.

While saying the ringgit might be the next target by speculators, analysts said Malaysia's stronger economy and reserves meant the central bank could put up a tougher defense of the currency than either the Philippines or Thailand were able to mount.

Malaysia's reserves at the end of June were nearly 71 billion ringgit (\$28.51 billion).

ULSTER: The Orangemen Take a Step Back From the Brink

Continued from Page 1

The statement added: "Let us get back to when we lived together as a mixed community, respecting each other's traditions and culture, and tolerating their expression and existence."

Such sentiments were a world away from the raw divisiveness of last Sunday on Portadown's Garvaghy Road, southwest of Belfast, when 1,000 Orangemen marched through the town's main Catholic section.

The march provoked three nights of Catholic rioting across Northern Ireland that left more than 100 wounded and £12 million (\$19 million) in damage.

As recently as Wednesday, senior Orangemen were insisting that Catholics were wrong to consider their marches offensive and that protests were orchestrated by IRA supporters.

The Orange Order, founded in 1795, was a dominant influence in the creation of Northern Ireland as a Protestant-majority state in 1920.

To Catholics, it is synonymous with anti-Catholicism.

Each July, the Orange Order stages more than 2,000 parades to mark the anniversary of the 1690 victory of the Protestant king, William of Orange, over the deposed Roman Catholic monarch, James II.



Gerry Adams, the Sinn Féin leader, welcoming news on the marches.

RAID: Bosnia Operation Seen as Turning Point for NATO Policy

Continued from Page 1

One of the two Serbs, Simo Drljaca, a former chief of police and troop commander, was killed when he fired a pistol at a British soldier.

The action represented another important change, officials said. Previously, NATO commanders have been reluctant to put their forces at risk by moving to arrest indicted war criminals, some of whom live and travel under heavy guard.

But the British, who first deployed troops in Bosnia five years ago, have been more willing than most countries to take strong action.

Britain, the second-largest contributor to the peacekeeping force sent in elite troops to reinforce its 3,300 peace-

keepers. The United States has 7,800 troops committed to the Bosnia operation.

The raid might not have occurred if General George Joulwan, the American who is overall NATO commander, had not been leaving his post, alliance officials said in Brussels. His successor, General Wesley Clark, chief military aide at the Bosnia peace negotiations, was officially sworn in Thursday in Stuttgart.

General Joulwan has been adamantly opposed to the idea of peacekeepers trying to arrest war criminals. By contrast, General John Shalikashvili, chairman of the U.S. Joint Chiefs of Staff, said Wednesday: "For the Dayton agreement to have a good chance, the international

community will have to come to grips with the necessity of bringing war criminals to justice in The Hague."

He promised to "make every day count" before July 1998, when U.S. troops are scheduled to withdraw from Bosnia.

Officials said planning for the operation began in earnest shortly after Britain and the United States reviewed their Bosnia policies in May, and allied governments began discussing how to apprehend at least some war criminals.

Both of the Bosnian Serbs targeted by the raiders were indicted secretly in March by the war-crimes tribunal in Brussels.

While American officials insisted that the operation

BOSNIA: Serbs Issue Warning

Continued from Page 1

for war crimes only if troops "encounter" them in the normal course of their duties. He sought to depict Thursday's operation in that light.

But diplomats in Sarajevo and ordinary Serbs in Pale clearly understood that something had changed. In particular, the Hague tribunal's new practice of issuing sealed indictments has opened for peacekeeping forces the possibility of preparing snatch operations against unsuspecting targets.

This has not been the case with more prominent Bosnian Serb leaders under public indictment, such as the former president, Radovan Karadzic, and his wartime military commander, General Ratko Mladic. Both have surrounded themselves with heavily armed protection.

Soldiers from the Special Police Brigade, armed with AK-47 assault rifles and grenades, guarded approaches to Mr. Karadzic's house Friday in a wooded vale just outside Pale. The nearby Famos Korei motor parts factory where he sometimes uses an office also was heavily guarded, flanked by a military base complete with a row of tarp-covered howitzers.

Although at some distance from Prijedor and Thursday's operation, townspeople here voiced outrage at what happened. In conversations with reporters, they declined to reveal their names but spoke passionately of the international campaign against their wartime leaders and vowed that any attempt to capture Mr. Karadzic would not be bloodless.

"If they try that, the Serbs will not make it easy," declared a mechanic wearing red coveralls. Repeating frequent previous threats, he ad-

ded, "A lot of people will die on both sides."

A fellow mechanic said that the former president, easily recognizable by his trademark shock of white hair, had been seen less frequently around Pale lately but retained a large place in people's hearts. "Inside, he is still our leader," he explained.

At the hilltop Panorama Hotel, where Bosnian Serb officials frequently meet, Mr. Karadzic's place loomed similarly large. A row of portraits of famous Serb leaders over the centuries showed 11 kings and dictators with elaborate uniforms and golden crowns. These were followed by a 12th portrait — of Mr. Karadzic in his usual dark suit and crowned by his bouffant hair.

Spokesmen for the international organizations operating in Bosnia expressed satisfaction at Thursday's move — along with hope that it would inspire fear among war crimes suspects.

"It is the wish of the tribunal that no one of those who have been indicted and those who deserve to be indicted — and they know who they are — have a restful night of sleep except in a detention cell of the tribunal," said Alex Ivankov, spokesman for the UN International Police Task Force.

U.S. Pull-Out Date

The U.S. Senate on Friday strongly urged but did not require the United States to pull out its troops from Bosnia by next June 30, giving the Clinton administration the flexibility it sought, Reuters reported from Washington.

The House has voted to cut off funds for the troops on June 30, 1998, despite administration arguments that a mandatory date could threaten U.S. troops and jeopardize the mission.

BRIEFLY

Basque Politician Abducted

MADRID — The police launched a manhunt in northern Spain for a kidnapped politician Friday, racing against a Saturday deadline set by the Basque guerrilla group ETA, which threatened to kill him unless its demands were met.

Hundreds of police and Civil Guard troops combed the Basque and Navarre regions in search of Miguel Angel Blanco, a local official from the governing Popular Party, Interior Ministry sources said. Mr. Blanco, 29, a Basque town councillor, was abducted Thursday shortly after leaving his home in Ermau on the way to work.

Authorities said the separatist group had vowed to execute him unless about 500 ETA inmates held in Spanish prisons were transferred by 4 P.M. Saturday to institutions closer to the Basque region. The government dismissed the demand, saying it would not succumb to blackmail from a "band of terrorists." (Reuters)

Wroclaw Braces for Floods

WARSAW — The historic city of Wroclaw braced Friday for advancing floodwaters that have killed at least 45 people in Poland and the Czech Republic during some of the worst flooding in decades.

Residents in Wroclaw, 300 kilometers southwest of Warsaw, were huying up supplies of bread and drinking water after being warned of the arrival of a giant wave, but no evacuations were ordered.

Rescue workers started to destroy a dam to divert the waters away from Wroclaw and save the medieval city center that was rebuilt after World War II. But residents of neighboring villages that would have been threatened by the move confronted them and stopped the work. (AP)

Mir Crew Practices for Repairs

MOSCOW — The Russian-American crew of the Mir space station checked and adjusted spacesuits Friday in anticipation of next week's repair mission on the damaged space outpost.

Vasili Tsibilyev and Alexander Lazutkin and their American crewmate, Michael Foale, gave their pressurized suits a thorough going-over in advance of a repair effort in the sealed-off Spektr module. The job is tentatively set for Thursday and Friday, said Irina Manzhilina, a spokeswoman for the Mission Control Center.

The two Russian cosmonauts will unseal the airless module to reconnect power cables linking its solar batteries with the Mir's main power system. They will then attach a specially made hatch to keep the damaged Spektr module closed off. Mr. Foale will wait in the Soyuz escape capsule, ready to return to Earth with his Russian colleagues in case of danger. (AP)

New Round for Cyprus Talks

UNITED NATIONS, New York — Greek and Turkish Cypriot leaders have agreed to meet again next month in Geneva to continue talks aimed at resolving the 23-year division of Cyprus, sources said Friday.

The sources, speaking on condition of anonymity, said the Greek Cypriot president, Glafkos Clerides, and the Turkish Cypriot leader, Rauf Denkash, reached the agreement to meet again Thursday, during the second day of discussions sponsored by the UN in Troubet. New York. They said the next round would be held in Geneva from Aug. 11-16. The Troubet meeting is expected to last until Sunday. (AP)

Dorothy Chandler, Arts Patron, Dies at 96

New York Times Service

Dorothy Buffum Chandler, 96, whose vision and fund-raising fervor helped transform modern Los Angeles and who as the wife and mother of successive publishers helped turn the Los Angeles Times into one of the nation's great newspapers, died Sunday at a rest home in Hollywood.

Mrs. Chandler's greatest single achievement was probably her nine-year drive in the late 1950s and early '60s to finance and build the Music Center of Los Angeles County, which revitalized the city's downtown district and fused old-line society with the newer wealth of Hollywood.

The opening of the center in 1964 earned her a spot on the cover of Time magazine and an accompanying article that declared her effort to get it built as "the most impressive display of virtuous money-raising and civic citizenship in the history of U.S. womanhood."

The next year, the center's largest auditorium, which has become a frequent home to the Academy Awards ceremonies, was named the Dorothy Chandler Pavilion.

Governor Pete Wilson of California called Mrs. Chandler "the heart and soul of Southern California's cultural life." Mayor Richard Riordan of Los Angeles told the Los Angeles Times that "her

imprint will be part of Los Angeles for many centuries to come," particularly its cultural life.

Max Youngstein, 84, a film producer and Hollywood executive who had a principal role in a 1950s financial rescue of United Artists, the legendary movie company, died Tuesday at his home in Los Angeles.

Edwin Diamond, 72, an author, teacher and journalist whose career spanned more than 45 years and who covered topics from the space age to the news media, died Thursday of heart failure in Manhattan.

سكرا من الاجل

Kenya Leader Says He'll Fight Critics

By Larry Rohter
New York Times Service

NAIROBI — President Daniel arap Moi said Friday he would take decisive action against any members of the opposition who tried to bring chaos to the country. Earlier in the day, opposition leaders urged Kenyans to use "all necessary means" to compel Mr. Moi to make democratic reforms, and to block elections if he refused. They warned that Kenya could slide into violence unless constitutional changes were enacted before the elections that are due this year.

Those pressing for reforms must allow Parliament to convene and address the matter," he said, according to his press unit. "A two-thirds parliamentary majority will have to approve the direction the amendment would have to take."

A statement signed by 10 lawmakers including the opposition leader James Orengo urged Kenyans to "ensure by all necessary means that the general elections are not held before reforms are effected."

Mr. Orengo said the opposition was not calling only for a boycott of elections. "We are saying more than that," he said. "No reforms. No elections. We are committed to reforms to the extent that we will ensure that there are no elections."

Twenty-two countries have pressed Mr. Moi to make reforms. (Reuters, AP)

Panama Sends a Force to Patrol Colombia Border

By Larry Rohter
New York Times Service

PANAMA CITY — Faced with an influx of Colombian refugees, guerrillas and paramilitary groups that has led to skirmishes, kidnappings and seizures of property, the government has ordered an armed force of more than 1,200 men to the remote Darien region along its border with Colombia. Panama announced the show of strength this week after incidents in which refugees said to be sympathetic to leftist Colombian guerrillas were attacked on Panamanian soil by Colombian paramilitary forces.

Manuel Antonio Noriega and restore civilian rule. The legislature abolished the military, replacing it with a national police force that is carefully circumscribed. Those concerns have been heightened by the provisions of the Panama Canal Treaties, which require the United States to hand over the waterway on Dec. 31, 1999.

"We are two years away from receiving the Panama Canal," Bishop Romulo Emiliani of Darien said this week. "If we can't guard our own land borders, then how are we going to protect the canal?"

Foreign Minister Ricardo Alberto Arias dismissed concerns about the canal as exaggerated. While there is "a delicate situation" on the border that requires "a political solution" in Colombia, he said, the security of the canal, which is used by more than 13,000 ships a year, "is an altogether different matter."



A Panamanian police officer patrolling by helicopter the guerrilla- and refugee-filled area near Colombia.

The incursions have raised questions about Panama's ability to defend itself. Panama has been without an army since U.S. troops invaded in 1989 to depose General

and intelligence that will continue to be acquired and shared" after 1999. Panama and Colombia have both said the recent in-

cursions were the work of "criminal wrongdoers," not guerrillas or paramilitary groups. But Panamanian officials admit that their deploy-

ment is largely symbolic. "We're not in a condition to undertake a battle in the field with any group," Jose Luis Sosa, director of the na-

tional police, said in a television interview. "The Colombians have an army of 140,000 men, and they're still at it after 40 years."

An Air Safety Step

U.S. Orders Better 'Black Boxes'

By Don Phillips
Washington Post Service

WASHINGTON — The Federal Aviation Administration has set new standards for flight-data recorders — called "black boxes" — that help investigators determine why airliners crash. The upgrade, which will cost the aviation industry about \$314 million over the next four years, follows urgent recommendations from the National Transportation Safety Board.

action for the 737 would disrupt the aviation system and was unnecessary, and on July 10, 1996, published a proposed rule with a four-year phase-in.

The final FAA proposal was sent to the White House for review in December. There was no explanation on why it was delayed until Thursday.

Under the FAA rule, airlines have four years to increase the number of data measurements — or "parameters" — of aircraft movement and control input.

The board said its investigations of two unexplained Boeing 737 crashes — in Pittsburgh in 1994 and Colorado Springs in 1991 — were severely hampered by inadequate flight-data recorders.

A new rule, which was under review for seven months in the White House Office of Management and Budget, was to be published Friday in the Federal Register.

The safety board proposed the upgrades on Feb. 22, 1995, and recommended that all twin-jet 737s be equipped with new recorders by the end of 1995.

The FAA said such rapid

Egypt Resists Islamist Proponents of Female Circumcision

By Don Phillips
Washington Post Service

CAIRO — The government will not allow so-called female circumcision operations in hospitals despite a court ruling that declared a ban on the practice null and void, Tawfik Salam, Egypt's minister of health, said Friday.

Mr. Salam, quoted in the government newspaper Akhbar, said the ministry would challenge the ruling in a higher court, the Supreme Administrative Court.

A lower court, in a ruling supporting the radical Islamist case against the government, determined in June that the minister did not have the authority to ban the ancient practice by decree.

Human-rights and feminist groups deplored the ruling, saying it had given doctors a green light to continue conducting the operations. The practice, which is customary in the western part of the Arabian peninsula and

northeastern Africa in Muslim, Christian and polytheistic communities, is often called female genital mutilation because of the severe effects it can have. Some Islamists say the practice is Islamic, but many Muslims dispute the textual authority for it.

Al Akhbar reported that Mr. Salam had said at a conference in Alexandria: "The decision to ban female circumcision was a sound decision, in line with the proper

concept of religion. Linking female circumcision with Islam is an insult to the religion."

In the operation, usually performed on prepubescent girls, a doctor or barber cuts off part or all of the clitoris and other genitalia. Sometimes they sew the vaginal opening or even the labia together. Side effects can include infection, hemorrhage, shock and sexual dysfunction.

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BRIEFLY

Hashimoto to Skip War Shrine

TOKYO — Wary of China's wrath, Prime Minister Ryutaro Hashimoto plans to stay away this summer from a shrine that sanctifies the souls of Japan's war dead, including war criminals, the Kyodo news agency reported Friday.

Last summer, Mr. Hashimoto became the first serving prime minister to visit the Yasukuni Shrine since Yasuhiro Nakasone in 1985. But this year, he will not make a visit because he does not want to stir up Chinese criticism ahead of his visit there this autumn, Kyodo quoted unidentified government officials as saying.

Before and during World War II, Yasukuni was a bastion of the military government's specially adapted version of Japan's indigenous Shinto religion. To most of Asia, it is a symbol of Japan's inability to face up to its wartime past. (AP)

Defector Lies, Pyongyang Says

TOKYO — North Korea lashed out at a defector Friday for "slandering" the Communist government and condemned him as a "human waste and lunatic."

The official press agency KCNA, which was monitored in Tokyo, reported the accusation against Hwang Jang Yop, the highest-ranking North Korean ever to flee his homeland, by quoting a statement it said had been issued by the Radio Voice of National Salvation about a news conference Mr. Hwang gave Thursday in Seoul.

India Police Kill 11 at Protest

BOMBAY — At least 11 people, including two children, were killed when police fired on a crowd protesting the desecration of a social activist's statue here Friday, witnesses and hospital sources said.

Demonstrators accused the police of indiscriminate firing during what they said was an orderly protest.

Macau Bus Bomb Destroyed

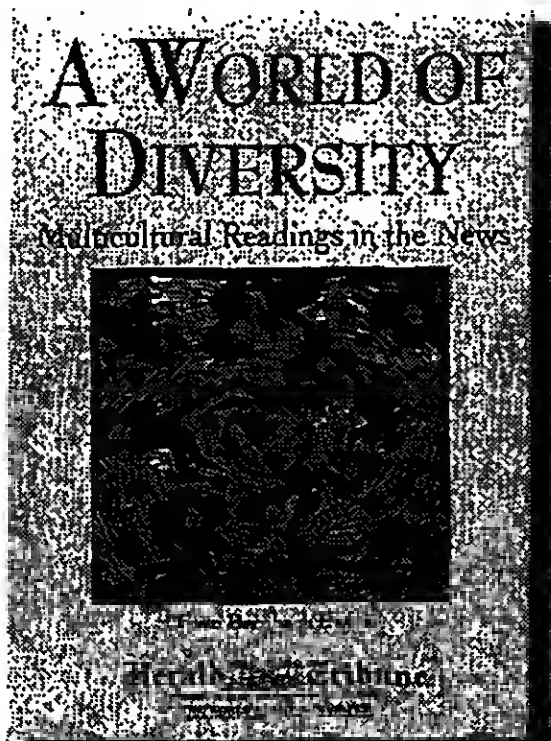
MACAU — Policemen in Portuguese-governed Macau destroyed a bomb Friday that was planted under a tour bus just outside a hotel, authorities said.

Security guards at the New Century Hotel on Taipa Island called authorities after finding the device, the police said. Bomb-disposal specialists used robots to explode it, and there was no damage.

Pakistani Expands Cabinet

ISLAMABAD, Pakistan — Prime Minister Mian Nawaz Sharif expanded his four-month-old cabinet Friday, naming 10 new ministers and four ministers of state, including a representative from the ethnic Mohajir National Movement.

The newcomers, sworn in by President Farooq Leghari, increase the cabinet to 17 full ministers and five ministers of state, plus two advisers with minister status. (Reuters)



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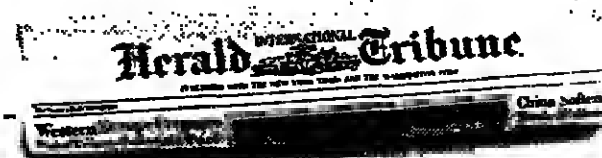
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- Selection Headnotes, with necessary context and questions to consider for each article;
- Discussion Questions to stimulate critical analysis following each reading;
- Writing Assignments at the end of each reading and following each chapter, with practice in a variety of styles (interviews, reports, casual analysis, etc.), the

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EDITORIALS/OPINION

Herald INTERNATIONAL Tribune

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The NATO Raid

Proceed with Caution

After months of hesitation, NATO leaders have initiated the most sensitive and potentially volatile action of the Bosnia peacekeeping mission, the pursuit and arrest of indicted war crimes suspects. It is a step that may help secure peace and justice in Bosnia, but one that must be taken with great care and precision. If mishandled, it could lead to needless NATO casualties and a resumption of violence throughout the Balkans.

On Thursday, British troops arrested Milan Kovacevic, a Bosnian Serb hospital director. Another Serb, Simo Drljaca, a former police chief, was killed resisting arrest. Both were charged with complicity in genocide. One British soldier was wounded. Neither suspect's indictment had previously been publicized, in order to minimize the risks of armed resistance.

The declared end of the peacekeeping mission is now less than a year away. Were there no risk associated with the arrest of suspected war criminals, delivering them to The Hague for trial by an international tribunal would clearly serve the interests of justice.

It would also remove from the region many of the political and military leaders who were most responsible for the ruinous war and are now most likely to undermine the peace. These include Radovan Karadzic, the former Bosnian Serb president, and his top military commander, General Ratko Mladic.

But the risks are considerable, starting with the possibility that NATO

forces would encounter armed resistance, especially in the case of General Mladic, who still enjoys the loyalty of many Bosnian Serb soldiers.

NATO troops have more than adequate firepower to overcome Bosnian Serb forces, but NATO leaders may reasonably wish to avoid firefights.

Even if arrests can be made without a confrontation, they could lead to retaliatory strikes against NATO forces. In addition to possible military reprisals, there are unpredictable political consequences. Arrests and war crimes convictions could help heal Bosnia as well as deter future spasms of ethnic violence. Human rights groups understandably seek that outcome. But ethnic hostility in Bosnia remains intense. A run of arrests, especially if they involve combat, could inflame tensions and shatter the uneasy stability that now prevails in Bosnia.

The peacekeeping effort has not achieved all its goals, but has been useful. The urban bombardments and ethnic pogroms that killed thousands of Bosnians have been halted. National elections have been held. Casualties among the peacekeeping forces have been kept remarkably low. Some war crimes suspects have already been delivered for trial by governments in the region.

Improving on that record is desirable, and it may be possible if NATO commanders can limit the risks when making additional arrests.

But they should be mindful that the achievements in Bosnia can quickly come undone if the operations are not conducted with the greatest caution.

—THE NEW YORK TIMES

Next, Get Karadzic

Very late in the day, NATO is stepping up the pressure to arrest Bosnian war crimes suspects and send them for trial in The Hague.

By their tortured mandate, the peacekeepers are not allowed to hunt down the mostly Serb accomplices in genocide, but they can pick them up if they come across them and if local commanders find the risk "appropriate." These cautions account for the bizarre and dispiriting spectacle of major war criminals such as Radovan Karadzic and Ratko Mladic being regularly seen enjoying their lives by many citizens but supposedly not seen, and therefore left free, by peacekeepers.

NATO has not announced a change in its orders, which reflect a fragile alliance consensus, but within them the United States and some of the other members are making room for new initiatives.

Fear of casualties is what inhibits NATO and keeps it from hunting down

the 70-odd known Yugoslav suspects still at large. But it has to be understood that a demonstrated readiness to take casualties can be precisely the factor that enables soldiers to avoid being shot at. Those accused of war crimes should weigh the warning from the U.S. defense secretary, William Cohen, who said that all of those indicted are now on notice that they will be brought to justice.

Major tasks remain undone to ensure compliance with the Dayton peace accords. A political and economic nose must be bled if not tightened around those not fully cooperating, including Serbia and Croatia. Much more could be done to broaden the news media options of all Bosnians and in that way to break the regimes' powerful hold on information. Yet the hunting down of accused war criminals has its own political and moral centrality. The arrest of the former president, Mr. Karadzic, even as he wrestles for power in the Bosnian Serb enclave with the elected president, Biljana Plavsic, would serve justice and democracy at one stroke.

—THE WASHINGTON POST

A Nonbelligerent

The next head of the U.S. Justice Department's antitrust division will have a lot to say about whether the 1996 Telecommunications Act breaks the monopoly choke hold that Bell companies exert over local phone customers. He will rule on mergers among telecommunications companies and advise the Federal Communications Commission on applications by Bell companies to enter long-distance markets.

Thus it is disheartening and disqualifying that President Bill Clinton's nominee, Joel Klein, scheduled to come up for confirmation in the Senate on Friday, has a record that suggests he might knuckle under to the powerful Bell companies and the politicians who do their bidding.

Sensors Bob Kerrey, Ernest Hollings and Byron Dorgan, all Democrats, have threatened to block the vote and put off until next week a final determination of Mr. Klein's fate. But the administration would do itself a favor by withdrawing the nomination and finding a stronger, more aggressive successor.

Mr. Klein, who has been serving as the government's acting assistant attorney general for antitrust matters, demonstrated his inclinations when he overrode objections of some of his staff and approved unconditionally the merger of Bell Atlantic and Nynex. That merger will remove Bell Atlantic as a potential competitor for Nynex's many dissatisfied customers. Mr. Klein refused even to impose conditions that would have made it easier for

regulators to pry open Nynex's markets to rivals such as AT&T.

Worse, Mr. Klein sent a letter to the chairman of the Senate communications subcommittee, Conrad Burns, who runs political interference for the Bell companies, that committed the antitrust division to pro-Bell positions in defiance of the 1996 act.

That act invites the Bell companies to provide long-distance service, but only if the Bells first open their systems to rivals that want to compete for local customers. Yet in the letter to Mr. Burns, Mr. Klein rejected Congress's interpretation of requirements to be imposed on the Bells in favor of his own, weaker standard.

In a subsequent submission to the Federal Communications Commission, Mr. Klein further weakened a requirement that before the Bells enter long-distance service they face a competitor that is serious enough to build its own switches and wires. Mr. Klein has also upset some senators by seeming to minimize the importance, provided in the 1996 Telecommunications Act, of Justice's advice to the communications commission on applications by Bell companies to enter the long-distance market.

True, Mr. Klein blocked applications by two Bell companies, SBC and Ameritech, to offer long-distance service before they had opened their local markets to competition. But by pandering to Mr. Burns, he has created strong doubts that he can provide aggressive antitrust leadership.

—THE NEW YORK TIMES

The Elected Bosnian Serb Leader Deserves Help

By William Shawcross

PALE, Bosnia-Herzegovina — The action Thursday by NATO forces against war crimes suspects in Bosnia (one arrested, one killed in a firefight) was overdue. It has long been clear that the Dayton accord is being undermined by those Bosnian Serb leaders who prosecuted the war from here, and in particular by Radovan Karadzic. The move Thursday — marking a huge change of policy by the NATO command, which had shied away from any such attempts — comes at a time when the Bosnian Serb leadership already appears to be breaking up.

The president of the tiny and increasingly impoverished Bosnian Serb entity, Biljana Plavsic, is locked in a power struggle with Mr. Karadzic, her predecessor. Even without NATO's more aggressive posture, it could prove a turning point.

Mr. Karadzic has been indicted by the international tribunal in The Hague and is therefore unable to hold public office. Nonetheless, he has kept a stranglehold on Bosnian politics from behind the scenes. He has done everything he can to undermine the Dayton peace plan, NATO, which began with 60,000 troops in Bosnia and now has 31,000, has failed until now to arrest him or others under indictment. But that is clearly changing.

Mrs. Plavsic revealed recently that Mr. Karadzic has made an illegal fortune from corruptly dealing in gasoline, cigarettes, alcohol and other products imported through Serbia. Meanwhile, the Bosnian Serb population has suffered more and more deprivation — while life for people in the Bosnian-Croat federation has been improving.

Mrs. Plavsic was a member of the Bosnian Serb leadership during the war and was an even fiercer Serbian nationalist than Mr. Karadzic. When she

was elected president, she was viewed as Mr. Karadzic's puppet. But Mrs. Plavsic is not corrupt. And her power base is not an eastern village but the western Bosnian town of Banja Luka, where television antennas and aspirations turn toward Zagreb and the West.

Last month, she moved to fire the minister of interior, accusing him of corruption and mismanagement. She then rashly left for a trip to London. While she was away, Mr. Karadzic convoked the Bosnian Serb Parliament to have members denounce her. On her return she was held for two hours by the police at the Belgrade airport — an unnerving experience for anyone — and was then driven by them to the border of the Bosnian Serb republic. She was clearly in danger and was assured of NATO protection if needed to get home to Banja Luka. She is still in danger.

Mrs. Plavsic has now dissolved the Bosnian Serb Parliament and called for new elections on Sept. 1. Mr. Karadzic's "Pale clique," in turn, has demanded that the Bosnian Serb constitutional court examine her action. The court is dominated by Pale, and it is predicted that it will rule against her.

It is vital at this stage that the international community do everything possible to support the constitution of the Bosnian Serb republic. That means its legally elected president, Biljana Plavsic. A victory by her over Mr. Karadzic is vital if the Bosnian Serbs are to join more fully in the Dayton process — which is the only hope of lasting peace for all the peoples of Bosnia.

Mrs. Plavsic needs to have protection provided by the NATO force — as discreetly as the situation allows. She probably needs money — if only to pay the police in Banja Luka, whose sal-



Karadzic at his first lesson

aries have till now been paid by Mr. Karadzic. She also needs full access to Bosnian Serb television and radio so that she can put across her increasingly popular message. There have been demonstrations in her favor in Banja Luka, Prijedor and other towns. The elections she has called must be conducted as freely and fairly as possible, so that those who are opposed to the hard-line positions of Mr. Karadzic and his party can campaign without fear.

Above all, she needs the stabilizing force in Bosnia, and the new high representative, Carlos Westendorp, to be committed in their support of her brave démarche. This could break the stranglehold that the Pale clique has had on the Bosnian Serb people.

Now is the time for Mr. Westendorp

to show that he has mastered the fine print of the Dayton agreement. It is law, and the law can be used in support of the elected president. Mr. Karadzic and his small gang have flouted the law far too long. Now at least one of their own is prepared to stand up against them. She must be supported. This is a defining moment in post-Dayton politics.

If this moment is seized and the remaining suspects are pursued and put on trial, there will be a good chance to enforce Dayton properly and start building a decent society for all in Bosnia.

The writer, an author and board member of the International Crisis Group, contributed this comment to The Washington Post.

The World Won't Be Able to Keep Its Hands Off the Internet

By Eli M. Noam

CARMEL, New York — These have been heady days in Washington for that marvelous medium, the Internet.

First, the U.S. Supreme Court struck down restrictions on indecent content, overturning a law passed virtually unanimously by Congress.

The Clinton administration had strongly supported those restrictions. But less than a week after the justices ruled, a White House group issued an equally vigorous opinion that advocated a largely hands-off policy by government regarding business conducted on the Internet.

Is there any consistency here? In a way, yes. Both administration positions play to

the gallery. And just as the defense of regulated morality on the Internet, though popular, proved to be a failure, so will the call for unregulated Internet commerce fail.

This is not because of meddling bureaucrats, but because the Internet will be too successful to be treated differently from the rest of society and the rest of the economy. Since the Internet has moved from techie preserve to office park, shopping mall and entertainment arcade, it is sheer fantasy to expect that it will be left a libertarian island in a world full of jealous competitors and conflicting objectives.

Similarly, Bavaria cares about hate speech and public morality, and sets rules accordingly. For the French, language and culture are the priorities, and Internet services originating in the country must be in French. Singapore worries about order. And so on.

Americans may disagree with these concerns, but don't

they have their own? Most of the White House paper tells state and foreign governments, not Washington, to mend their ways.

For all the rhetoric of an Internet "free trade zone," will the United States readily accept an Internet that includes Thai

The call for unregulated commerce will fail.

child pornography, Albanian tele-doctors, Cayman Island tax dodges, Monaco gambling, Nigerian stock schemes, Cuban mail-order catalogs? Or, for that matter, American violators of privacy, purveyors of junk e-mail or "self-regulating" price-fixers? Unlike the same on matters they care about.

Thus, for better or worse, each society will apply its accumulated wisdom, misconceptions, preferences and interest group muscle to the rules governing transactions over the Internet. And these rules will not be very different from those applied to the rest of society.

It is easy to engage in generalized anti-government rhetoric but hard to remain consistent. The Internet industry too has been selective in its libertarianism.

It liked subsidies from the Pentagon and National Science Foundation that created the Internet in the first place, and the foundation money that is helping to develop the next-generation Internet II. It fought for regulated cheap access to phone networks. It supports subsidies for school and library Internet access. It exhorts the federal government to carry a big stick internationally to protect its software against pirates.

Most of this makes sense, but it is not exactly the free market.

Internet enthusiasts have a fallback hope: "You cannot regulate the Internet." The idea

is that clever youngsters can always find a way to run electronic circles around any restriction, so why even try to regulate? The fallacy is to focus on the electronic bits, which indeed are very hard to control.

Communications are a matter not just of signals but of people, institutions and physical hardware; the arm of the law can reach them. A government will go after static and physical elements if it cannot reach mobile or intangible ones.

For example, instead of taxing transactions over the Internet, which will prove difficult and inefficient, a government might tax the physical delivery. Instead of controlling information, it might mandate hardware to do so, like the V-chip in American television sets.

It seems that the new medium is like an inkblot test, an electronic blob into which all project their own fantasies, hopes and fears.

Traditionalists find the dark forces of degeneracy. Libertarians detect the heavy hand of government. Leftists discover the sharing community, devoid of the avarice of private business. Internationalists expect the global village.

This kind of dreaming is common for new technology, and it is usually wrong. The reality will be more mundane: The Internet will be enormously important, but it will not create a new regulatory system. It's nice to dream of it as a global force of liberation, but it may also have the unintended opposite effect, if more controls are levied on people and property instead of on transactions and information.

The White House, commendably, says all the right things. But if we watch what it does to its own sacred cows, not what it tells others to do, we should not expect a deregulatory revolution.

The writer, professor of finance and economics at the Cumberlege Business School, contributed this comment to The New York Times.

Inequality Amid the Prosperity

By Laura D'Andrea Tyson

WASHINGTON — During the past four years, the American economy has enjoyed a robust expansion with low unemployment, greater international competitiveness and modest inflation. Unfortunately, the economy's expansion has failed to reverse two disturbing long-run trends: stagnant or falling real earnings for the majority of workers and increasing income inequality among workers and households.

Although average real earnings for nonsupervisory production workers increased slightly in 1996 (a trend that is continuing in 1997), they remain far below their postwar peaks of the mid-1970s. In addition, the gap between rich and poor households is much larger than it was 20 years ago.

Much of the increasing inequality in family incomes has its origins in the marked increase in inequality of labor earnings. According to the Institute for International Economics, during the past two decades the ratio of wages of the top 10 percent of workers to those of the bottom 10 percent rose to about 525 percent from about 360 percent for men and to about 430 percent from 380 percent for women.

Behind these yawning gaps are significant increases in wage differentials by education, age and occupation. To make matters worse and even more difficult to explain, "within-group inequality" — that is, differentials in earnings for workers with similar characteristics — has also risen sharply.

There appear to be three major forces behind these troublesome trends. Technological changes have increased the demand for — and relative wages of — highly skilled, college-educated workers. Globalization, including import competition and immigration, has increased the supply and depressed the relative and absolute wages of less-skilled workers without college degrees. Institutional forces, including a sharp decline in labor unions' strength and in the real value of the minimum wage, also have put low-skilled workers at a disadvantage.

Most economists give the

greatest weight to the technological explanation for rising wage inequality. This explanation accords with the increase in both the relative employment levels and the relative earnings of more skilled workers. In addition, empirical studies have established a direct link between the technological intensity of jobs and the wages they pay.

Economists, politicians and commentators are waging a debate about the globalization explanation of wage inequality.

Taxes aren't a problem. But competition from immigrants might be.

The simple analytical logic of this explanation is compelling — growing import competition and growing immigration from low-skill, low-income countries have made unskilled labor a more abundant factor of production and therefore reduced its relative price. Opinion is shifting toward the view that globalization has had a "moderate" effect — perhaps accounting for one-fourth to one-fifth of the nearly 20 percent rise in the wage difference between skilled and unskilled labor — and the estimate of this effect has been creeping up. There is also a developing consensus that immigration, more than trade, has depressed the wages of the poorest workers.

Given the powerful and diverse forces driving inequality and the economic disaster that has befallen low-skilled workers, especially young men, in recent years, how should policy makers respond?

First they should diagnose the problem correctly. There is no evidence, for example, that higher tax rates are the culprit. The effective tax rate for a middle-class family of four is about the same today as it was in 1980. The top 14 percent of families pay substantially less than they would pay at rates

prevailing 20 years ago, and the tax rate for the bottom quintile of families has been cut by the generous expansion of the earned income tax credit.

There is little economic justification for significant overall tax relief at this time. Generous capital gains tax relief would not significantly improve the economy's performance but it would worsen income inequality.

Policy makers also should not vainly attempt to reverse the forces of globalization by building protectionist walls. Protectionism would raise consumer prices, shrink export opportunities and the high-paying jobs they support, and reduce net economic welfare, potentially making everyone worse off.

As a recent study of the National Research Council confirms, although immigration benefits the economy overall, with little negative effect on the income and job opportunities of most Americans, it has depressed wages of native-born Americans with low skills. These findings imply that the United States should shift toward skills and away from family ties as the basis for allowing entry to immigrants.

The balanced-budget deal must include adequate financing for social safety net programs — including food stamps, the earned income tax credit, health insurance, housing subsidies and Social Security — that ease the challenges facing millions of low-income American workers and their families. Such programs effectively contain increasing income inequality.

Finally, policy makers at all levels must renew their efforts to provide all Americans with opportunities to upgrade their education and skills throughout their lifetime. Lifelong learning is a necessity if workers are to meet the demands created by changing technology and intensifying globalization.

The writer, who was President Bill Clinton's economic adviser in his first term, is professor of economics and business administration at the University of California at Berkeley. She contributed this comment to The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1897: Wild Fashion

LONDON — If the felt hat has not yet come to change the prevailing styles in head embellishment, its precursor is very much in evidence in the shape of gorgeous waistcoats and neckties. Any one coming to London for the first time would be shocked at the extraordinary departure from the regulation black habitations of an old-time Londoner's wardrobe to the wildest extravagances based on the time-honored elements of the rainbow and developed into half-holiday superlatives of a color mixer's dreams. Color everywhere greets the eye in the Englishman's garb of to-day.

1922: Negro Republic

NEW YORK — Several thousands wildly excited negroes assembled and loudly cheered the plea of Marcus Garvey, "provisional President of the

Republic of Africa," that the colored men of North America should migrate and form a republic in the land of their ancestors. Garvey, as head of the Universal Negro Improvement Association, recently ran foul of the postal authorities in connection with the sale of shares in the "Black Star Line," which planned to buy a fleet of ships to transport America's colored population overseas.

1947: Red 'Free State'

ATHENS — An estimated force of 4,000 guerrillas, fighting for the first time along pitched battle lines, held grimly to what they hoped would become their "free state" on the jagged slopes of towering Mount Grammos, near the Albanian border. It is the first time since the army launched its anti-guerrilla drive on April 9 that the stubborn mountaineers have offered organized opposition.

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New York: 100 Madison Ave., New York, N.Y. 10017-2403 Tel. (212) 512-2222 Fax: (212) 512-2223
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ART

Geneva Collector Keeps His Works Traveling the World

By Alan Riding
New York Times Service

GENEVA—Many museums are reluctant to lend their prize works of art. Not so the Barbier-Mueller Museum in Geneva. For Jean-Paul Barbier, the Swiss collector who founded the private museum 20 years ago to house his collection of African, Indonesian, Oceanic and pre-Columbian art, its principal purpose is not to draw visitors to its small gallery space in Geneva's old town. Rather, it is to prepare "ensembles" of works to travel around the world.

"The museum is a laboratory where we test exhibitions that we then present on a much larger scale in major museums," explained Barbier, a real estate magnate.

As a result, with his 6,000-piece collection better known in many European and American cities than it is in Geneva, Barbier is playing a major role in awakening new interest in what was long known as "primitive" or "tribal" art and is now increasingly accepted as art *tout simple*.

Since 1980, he has presented ensembles in more than 50 museums. Several shows are invariably on the road at the same time.

"African Masks," recently seen in Munich, is scheduled for museums in Austria, Luxembourg, Germany and France. "The Art of New Ireland," an Oceanic island (part of Papua New Guinea), has just closed in Paris. "Power and Gold," a selection of jewelry and ornaments from Southeast Asia that traveled the United States from 1985 to 1988, is now in Sweden. A new Barbier-Mueller Museum of pre-Columbian Art opened in May in Barcelona. And "The Art of the Southern Seas" and "Shields" are at the planning stage.

For all his eagerness to share his collection, his main motive is still to please himself. "I buy for myself," Barbier, 67, said in an interview in his rambling Geneva home. "I don't collect like a museum director who may say, 'I don't like this piece, but it's important in order to explain another piece.' I buy pieces that I like. The collection keeps growing because I am a collector and I can't stop buying."

Still, his collection is unusual in that it is built on the collection of his father-in-law, Josef Mueller. Between 1908 and 1930, living mainly in Paris, Mueller acquired works by Renoir, van Gogh, Cezanne, Matisse, Picasso, Braque, Gris, Leger, Ernst, Rouault, Bonnard, Miro and others.

When the Depression struck, he ran out of money and was forced to sell some oils. Then, looking for something he could afford, he began buying "cheap" African art in the flea markets of Paris. By the time Barbier met his future wife, Monique, Mueller had long settled back in his native town, Solothurn, surrounded by invaluable modern works and choice pieces from his ever-expanding collection of African and pre-Columbian art.

As Barbier remembers him, his father-in-law was also something of an eccentric: He spent little money on himself, wearing the same old clothes and traveling third-class on trains; he liked to gaze at his art, but he rarely discussed it, and he refused to lend his modern masterpieces. But he continued to collect primitive art. "He collected to give himself pleasure," Barbier said. "He collected in the way you marry a beautiful woman. You don't just marry her to show her off at nightclubs. You also marry her to have her in your bed. Josef Mueller's artworks were in his bed. He was in love with art."

Barbier said he had caught the "virus" of collecting at an early age, focusing first on rare books. But he quickly fell in love with Mueller's primitive art. "Mueller pointed me towards Oceanic art," he recalled. "He said: 'Look, one day my collection will belong to my daughter, but it is essentially African, and there are magnificent things to be found from Oceania. I'm too old to start a new collection, but you should.' I took his advice."

BARBIER'S approach to collecting, however, is more scientific. After Mueller's death, in March 1977, at the age of 90, his son-in-law decided to "clean up" the African collection by separating out 1,200 unimportant objects and sending them to Christie's for auction.

With the opening of the Barbier-Mueller Museum in June 1977, Barbier also gave coherence to the highly eclectic collection by creating "ensembles" and backing them up with detailed catalogues written by top scholars in each field. Since then, he has added some African pieces, and he has more than doubled the number of pre-Columbian works. Although he is proud of the remarkable collection of Oceanic and Indonesian art that he has built up,

more—not at any rate, in a world where Lhasa and Katmandu, Khartoum and Kashgar have become easy to get to on your retirement tours.

But Timbuktu: There's a name that has a ring to it. As Mark Jenkins makes clear in "To Timbuktu," his laconically engaging account of a trip to some of the less frequented parts of West and Central Africa, Timbuktu has had a mythical quality since the early 14th century. It was then that Mansa Musa, emperor of Mali, emerged from there at the head of a caravan so laden with gold that his camels stumbled in the Egyptian desert.

Jenkins, who has done his background reading, intersperses his own quest to reach Timbuktu, Mali, by kayaking down

the Niger River, with the ill-fated efforts of a series of 18th- and 19th-century European explorers to reach the same destination. Most of them died, some at the hands of fierce Tuareg warriors, more of them from malaria or dysentery.

When Major Gordon Laing, crippled and scarred from a Tuareg attack, entered the city in 1826, he did not let on that the fabled metropolis failed to live up to expectations. Laing was beheaded north of Timbuktu at the beginning of his journey back to England. It wasn't until three years later that the Frenchman Rene Caillie arrived in the city and announced to a disbelieving world that Timbuktu was a standard trading town in Central Africa, a poor collection

of mud buildings and oo gold at all.

In any case, Jenkins, an outdoorsman and traveler from Wyoming, had few illusions about Timbuktu. He and his friend, Mike Moe, decided in 1991 to be the first Westerners to explore the headwaters of the Niger in the mountains of Guinea and then to make their way by kayak to Timbuktu and beyond.

They decided to do this even though both their wives were pregnant with their first children. Joined by two other Wyoming friends, a carpenter and a banker, they set off on an eventful and sobering journey. They did not have a very good time. Hundreds of miles from Timbuktu, the four divided up, two to continue down the river, Jenkins to go on to

Timbuktu overland by motorcycle. Moe to return to his wife back home.

But the trip, as recounted by Jenkins, has an enjoyably picaresque quality as our voyagers meet various Africans en route, including people who show them remarkable kindness.

The best feature of "To Timbuktu" consists of Jenkins' delight in the small and out-of-so-small elements of the African spectacle, which he treats with distanced, unsentimental, often aesthetic appreciation. "The men will be mute and rigid as animals," Jenkins writes of some people with river blindness he encounters along the banks of the Niger, men whose blindness was not the only mysterious thing about them. They have "rough dusty

legs of muscle and bodies of muscle and inscrutable faces." One of the men uses a stick to draw a circle in the sand with wavy lines inside of it.

"When we ask them questions, they will not respond to us," Jenkins continues. "They will be blank. Human pillars supporting the weight of the African sky. Mike and I will go back to our boats. Out on the river we will slide into an eddy to wait for Rick and John and wonder why the old man drew a picture in the sand that none of them could see. "But it was not drawn for them. It was drawn for us."

Richard Bernstein is on the staff of The New York Times.



Jean-Paul Barbier with an Indonesian sculpture.

Unmasking the Power Of Central African Art

By Hank Burchard
Washington Post Service

WASHINGTON—Masterpiece is a much-overworked word, but no other term will serve to describe the Central African sculptures and masks on display at the National Museum of African Art.

The 125 objects in the exhibition were chosen from a group of 250 selected for the centennial of Belgium's Royal Museum for Central Africa at Tervuren. Since the entire collection numbers some 250,000 objects, each piece in this show was one in a thousand; and this show, which is at its second stop on a two-year world tour, consists of the better half of those.

The beauty and power of the pieces are such as almost to overwhelm the underlying reality that many of them were collected through intimidation—or simply looted—by what is widely considered to have been the most brutal of all African colonial regimes. But if the Belgian Congo (later independent Zaire, now simply Congo) represented the heart of darkness of European intervention in Africa, this exhibition is a ray of postcolonial enlightenment. Researchers now are studying how the collection may be used to help restore Congo's shattered cultures and traditions.

Because the Congo embraces so many different cultures, there's no way the Smithsonian show could include the full context of the objects (and because of the chaotic way some were collected, in many cases the source, meaning and purpose are not fully known).

Possibly the most engaging object in the show is a figure of a drummer, collected in 1903 from the Nkanu people of lower Congo. At first glance the woodcarving appears to be a comic figure of a monkey, but almost instantly it resolves into a half-size human figure of extraordinary sensitivity. Drummers are present at the excruciatingly painful circumcision ceremony that marks a Nkanu boy's transition to manhood. They are supposed to frighten away devils. And, as this figure's compassionate expression exemplifies, the drummers are supposed to allay fear and inspire courage.

The exhibit's exploration of Congo cultures is arranged in geographical order. It's an awesome trip, and while the meaning of many of these objects may remain mysterious, their mastery is unquestionable.

The exhibition continues through Oct. 19 at the National Museum of African Art. It will then travel to Fort Worth, Texas; San Francisco; New York; St. Louis, Missouri; Chicago; Dusseldorf and Barcelona.

A Biennial Reappraised

By Jo Ann Lewis
Washington Post Service

WASHINGTON—After nearly a century of tracking the cutting edge in American painting, has the Corcoran Biennial become obsolete? That question is now under serious consideration by Corcoran curators and trustees, who have decided to postpone the 1997 biennial for a year. The fate of the show after 1998 remains undecided.

There are vague plans to mount a millennial biennial in 2000 devoted to "looking at contemporary art and where it is going," said Jack Cowart, the chief curator. He said this year's show had been put off partly so that his limited curatorial staff would have the time to plan it.

The only thing certain for now is that the 45th Biennial Exhibition of Contemporary American Painting, rescheduled for July 1998, will be a look back rather than a

roundup of the contemporary art scene. Cowart said it would be devoted to some of the 250 paintings—by such artists as Winslow Homer, Childe Hassam, Mary Cassatt and Edward Hopper—purchased by the museum from its various biennials since they began in 1907. The purpose will be to assess the impact of these shows on the museum's American paintings collection. "This will be a show about collection building," Cowart said.

BOOKS

TO TIMBUKTU:

A Journey Down the Niger

By Mark Jenkins. Illustrated. 224 pages. William Morrow. \$25.

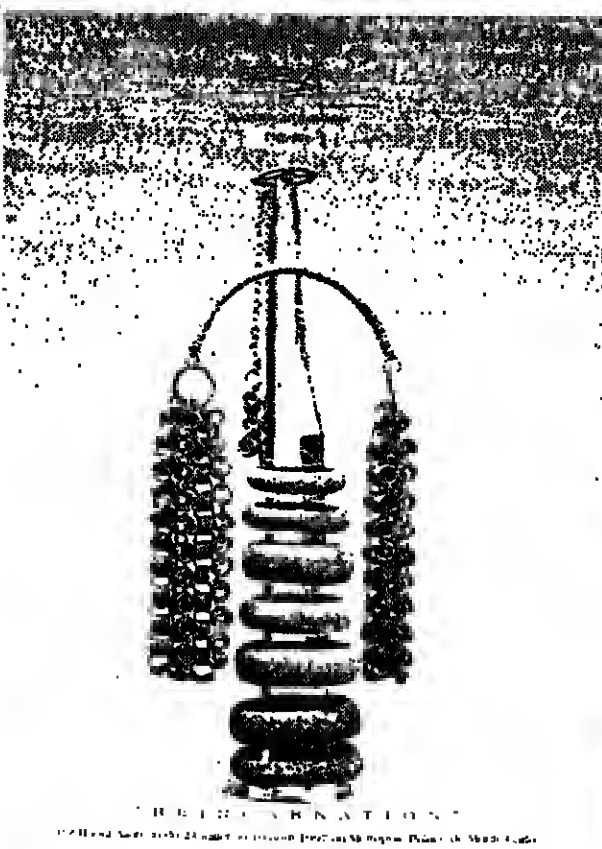
Reviewed by Richard Bernstein

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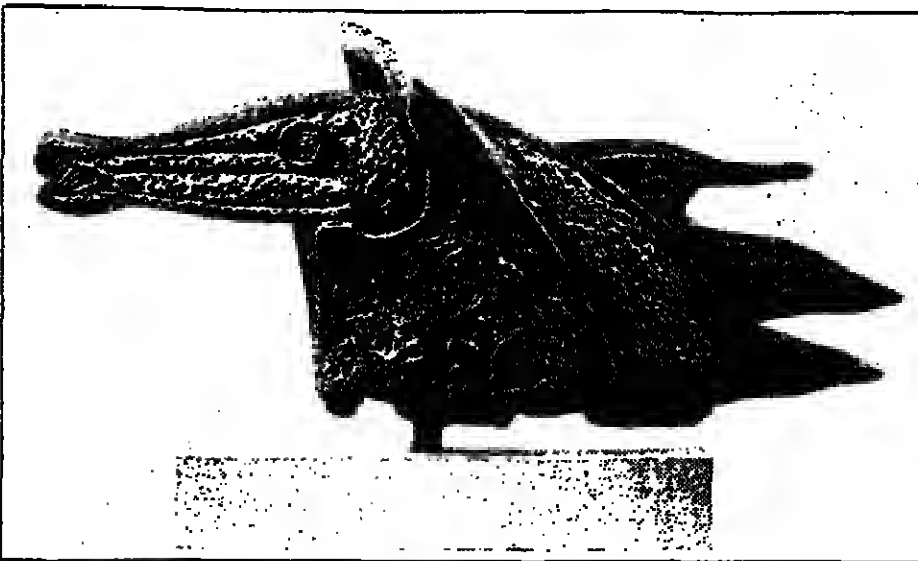
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"Large Horse Head," 1943, by Georges Braque, in the Maeght Foundation show.

Summer and Sculpture Along the Cote d'Azur

By Michael Gibson
International Herald Tribune

NICE — The Cote d'Azur is having a flurry of exhibitions this summer, the major one being the Maeght Foundation's handsome 220-item show devoted to sculptures by painters, while an alliance of 28 medium-size and small local museums was formed to deal with a single theme: "La Cote d'Azur et la Modernité — 1918-1958."

At first glance this could seem a splendid idea considering the number of prominent modern artists who thrived under the Provencal sun for months or years on end: Picasso and Matisse, Bonnard and Dufy, Chagall and Soutine and many others. And there are indeed some delightful works to be seen as one wanders from town to town along narrow, winding roads.

Yet somehow, the concept fails to jell. There is an excellent reason for this: the Cote d'Azur never claimed to be a center of culture. It was rather a place people went to get away from military occupation during the war years or just away from the crowd, to work undisturbed.

It remains that the Picasso Museum in Antibes, for instance, has assembled some wonderful, sun-drenched works by Bonnard, some monstrous alien idols by Graham Sutherland and, in one room, has brought together paintings done in the neighboring town of Capri by two utterly contrasting talents: the cool, sunny Felix Vallotton and the tormented and prophetic Chaim Soutine.

At the Venice museum, paintings and drawings by Chagall, Matisse and Dubuffet are currently being shown in the company of some surprising works by such artists as Ozenda and Francis Palanc, Palanc, born in 1928, was the son of a local baker who would not allow him to become an artist. Commanded to follow in his father's footsteps, Palanc obeyed, in deep distress, but the eggshells he broke, every day to make pastry became his medium. He ground them up and colored them to produce the strong and poignant abstractions displayed in Venice. Then, in 1960, after a spiritual crisis, he des-

troys a number of his works, gave up painting and took a job as a night watchman. He still lives in the area and attended the opening of the Venice exhibition at the end of June.

The Cheret Museum in Nice is presenting a selection of works by Dufy that demonstrate, among other things, his excellence in designing patterns for fabric and in decorating ceramic ware.

The Fernand Leger Museum in Biot has put together a modest but touching little exhibition devoted to the wartime years when Hans and Sophie Arp, Sonia Delaunay, Pavel Man-sourff and others tried to keep working while worlds crumbled.

The Matisse Museum and the Musee d'Art Moderne et d'Art Contemporain in Nice are also part of the circuit. The latter displays works by Klee, Duchamp and Picabia, but also touches upon the nucleus of the so-called Nouveaux Realistes group (Klein, Arman, etc.).

All this should suffice for a pleasant summer visit, since even the lesser museums have the advantage of being installed in large, handsome houses that one can enjoy strolling through on a hot summer afternoon.

The Maeght exhibition is another kettle of fish. Admirably put together by the curator Jean-Louis Prat, it presents the great painters-sculptors of the 19th century (Degas, Daumier, Gauguin), the inevitable figures of modernity (some marvelously playful sculptures by Picasso, some incredibly heavy ones by the aerial Matisse), the staples of the foundation (Miro and Giacometti), but also many less familiar works (Derain, Uzac, Faurier).

W HENEVER possible, paintings by these artists are set in counterpoint beside their sculptures, some of them (as with Matisse), illustrating the same subject, others reflecting the same mood or style. The point convincingly made by the exhibition is that painters who took to painting in this period did so without the rather heavy load of academic convention professional sculptors were heir to, thus opening new avenues in this most ancient of all artistic disciplines.

All the exhibitions run to mid-October.

Risk Is Rising in Old Masters Game

International Herald Tribune

LONDON — The turmoil is growing on the art market. As the scramble for the upmost layer of what is desirable intensifies, leading to sales records, the excitement increases, as do the risks for the new buyers who bring in huge amounts of cash.

The latest tidal wave has hit Old Masters, the one field in which important works, long forgotten, still creep out of the

Souren Melikian

woodwork, giving it the stimulus of novelty. The effect was spectacular at Sotheby's on July 3.

Even the best-trained art lovers do not have visual memories that go as far back as 1953, the year Gerard ter Borch's "The Music Lesson" last appeared in public, at the Royal Academy of Arts. Sold from the estate of an heir to the Enrico Fattorini collection formed in the 1930s and 1940s, it seemed to spring out of another age. The scene, which captures a privileged moment of quiet beauty, tripled the high estimate, and fetched a record \$2.75 million (\$4.55 million).

But novelty only works to a maximum in conjunction with other factors. Newcomers may have wondered why Jan van der Heyden's view of the Duesseldorf church of St. Andreas in the distance did not enjoy a similar triumph. This too came from the Fattorini collection. With its beautiful mellow sunlight, it exudes much the same feeling of magic peace. Signed and dated 1666, it seemed bound to go through the roof.

I N the event, it was expensive, but not madly so. One reason is that while the picture is full of evocative atmosphere, the characters painted in by Adriaen van de Velde have little relevance to it and it is usually pictures focused on people that exceed the highest hopes. The masterpiece, disputed between two of the world's foremost connoisseur dealers in the field, Robert Noortman of London and Maasticht, who won, and Johnny Van Haeften of London, ended up at \$661,500.

Within minutes, it was the turn of a Frans Hals to make the point that the human face and its emotions are what drives buyers crazy. Had it been the work of another painter, the image of "St.

John" might have suffered from being a religious icon. But this, in effect, is a powerful portrait. It is also a sensational discovery, unreproduced until last week. As Sotheby's expert demonstrates, this is the missing Evangelist from a set of four bought by Catherine the Great in 1760 and kept at the Hermitage until 1812 when the paintings were sent to Crimean churches.

Two of the Evangelists were found in 1959 in the storeroom of an Odessa museum by a scholar, Irene Linnik, who identified them through the early Hermitage inventory numbers. A third painting was recognized as a Hals by an Italian dealer who bought it as a Luca Giordano at a Milan auction in 1955 and was later identified as belonging to the set.

The size and traces of an inventory number clinch the matter concerning Sotheby's "St. John." Unframed, flaking along the edges, as if it had just popped out of an attic in Eastern Europe, it adds one more Hals to the artist's corpus. Two U.S. dealers banded furiously to get it, Martin Zimet of French & Company conceding defeat at \$1.96 million to an opponent who is often entrusted by the J. Paul Getty with its bidding. Museums too have a weak spot for revelations.

How crucial the discovery factor has become in the current phase of feverish search for major art new to the market was shown when an anonymous "Crucifixion" of the 1390s came up. Illustrated only once in 1994, in the German journal Pantheon, where Paul Pieper gave his reasons for considering the panel to have been painted in England, its provenance makes it a rarity. Clumsily done, "The Crucifixion" climbed to a phenomenal \$1.54 million — four times Sotheby's high estimate.

The same reaction of surprise helped the late (and beautiful) portrait of a dignitary by Titian, never exhibited nor seen at auction



"The Music Lesson," by Gerard ter Borch.

before, to soar to \$1.2 million. Sotheby's, possibly worried that its Titianhood, accepted decades ago, had been ignored in recent publications, estimated it to be worth \$100,000 to \$150,000. Zimet, untrammelled by angst, got the Titian and looked jubilant.

B UT such enthusiasm was far from constant. Canaletto is a great name and "Punta della Dogana," signed and dated 1744, is a beautiful landscape. Add the provenance — the J. Paul Getty Museum, which exchanged it in 1991 for another painting — and triumph seemed assured. Instead it was bought in. The attendance may have reasoned that if the Getty parted with it, the Canaletto was not that much of a museum piece.

Eventually, 30 percent of the pictures remained unsold. Two days later at Christie's success likewise alternated with failure — 35 percent of

the paintings did not sell. Fine works never got off the ground.

Jacob van Ruisdael's early Scandinavian view, sold for \$25,400 in 1979, failed to go at \$42,000. Philips Wouwerman's scene, which had brought \$60,500 in 1987 at Sotheby's, went nowhere this time, its reasonable estimate (\$100,000 to \$150,000) notwithstanding.

The reason? Pictures of that caliber can be obtained and there are few collectors in the middle strata. To inspire bidders, pictures must surprise with their rarity, their novelty — and yet fit the perfect image of the artist's oeuvre.

Two lots later, Aert van der Naer's winter landscape met the first requirement. Extremely rare in that size and condition, with just the right nuance of pink over its horizon in a well-balanced composition, it became the world's most expensive van der Naer at \$2.3 million.

But Jan van de Cappelle's

winter scene, did not make it. What buyers want from the master is seascapes with beautiful light reflections. Had the estimate of \$500,000 to \$750,000 been lower by half, it might have had a chance.

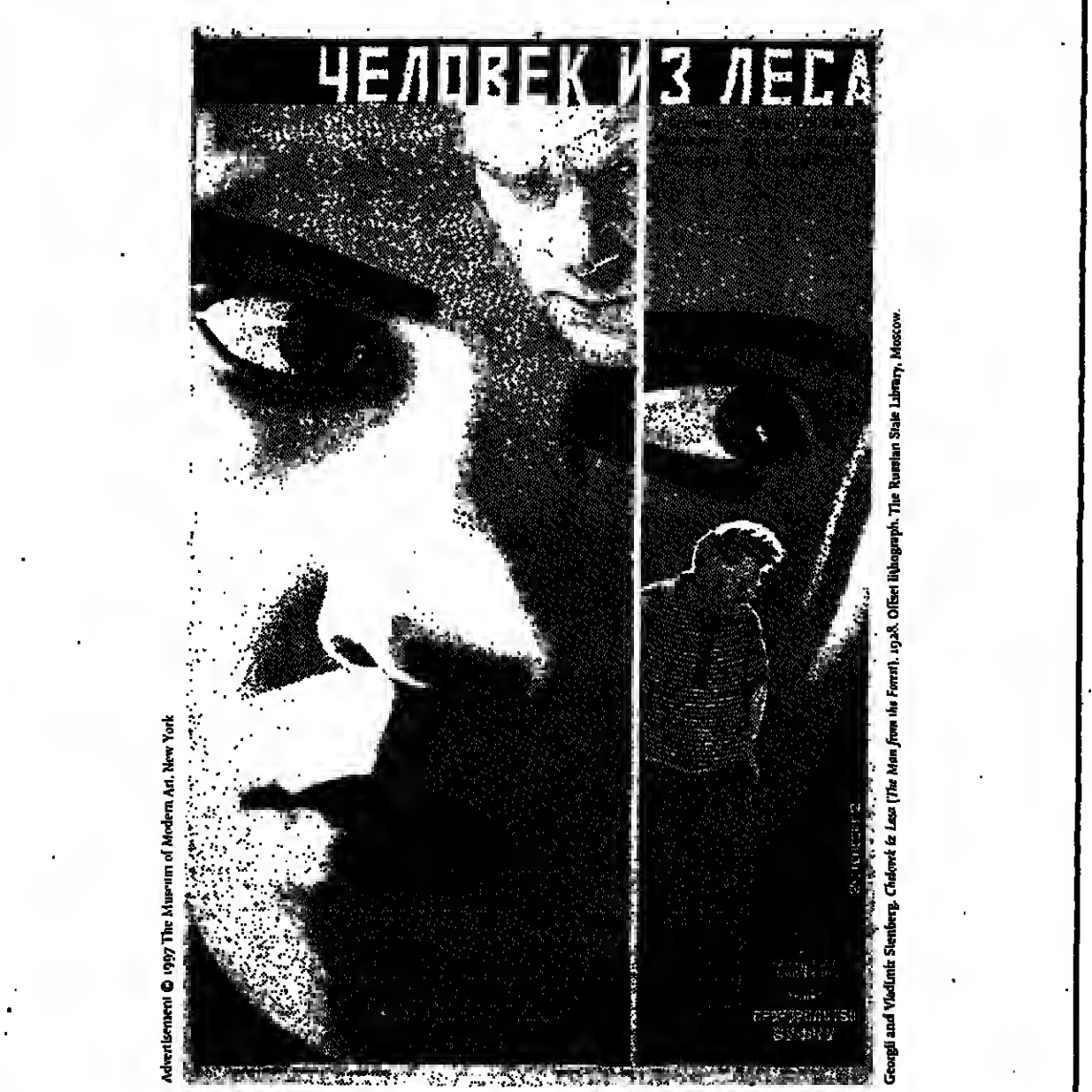
Given current price levels, dealers, who are very active, cannot afford to "buy against the market." They target expensive pictures only if these capture the essence of a master's work. An interior scene by Pieter de Hooch was thus bought for \$716,500 by Noortman, outbidding Van Haeften.

T HEY give up more easily on the rare and beautiful that is not mainstream. The great Gaspar van Wittel, alias Vanvitelli, is not nearly as much sought after as Canaletto. His "Port of the Ripa Grande," dated 1690, which came up on July 5, is a fantastic landscape with a superb provenance, an old French aristocratic collection from Montpellier. Richard Knight bid on it, followed by Richard Green, who in turn let go. At \$617,500 the Vanvitelli is a rich man's coup.

Fortunately, dealers and nonmillionaire collectors can still resort to their eye. In Christie's afternoon session, a copper panel depicting "Boors Smoking in a Tavern" was merely "attributed to Adriaen Brouwer." The coded salesroom language translates as "might be by the artist, if you are lucky." The catalogue added ambiguously: "Signed (?) with initials 'A.B.' (on the edge of the bench)."

After the sale, the collector George Abrams of Boston, greatly admired for his knowledge of 17th-century Dutch art, called on his crony Van Haeften to ask what he thought of that oil on copper. "I am sure it is by Brouwer," Abrams said, looking agitated. "Me too," Van Haeften replied. And opening a drawer, the dealer showed him the Brouwer.

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PAPER CHASE, By Fred Piscop

ACROSS	DOWN
1 Cuiabensis	38 Descartes conclusion
7 Rock group that sang "Let's Go"	39 Horse owned by a Boston newspaper?
14 Splendid	42 Hired hands at Microsoft
19 Conductor	44 Sponsorship
20 Like some shoes	46 Camera since 1924
21 Grammy-winning single of 1958	47 Bank sitters
22 Groundskeeper's bagful at an Atlantic City newspaper?	48 Some picture frames
24 Arm pit	52 Used rubber
25 Companion	53 Garden, in a way
26 Oregon	57 Correspondence to the editor of an Allentown newspaper?
27 Playboy Khan	59 Allar
28 Library ref.	61 Obviously sleep-deprived
29 Where "Fats" premiered, 1983	63 End of a Burns title
32 Start of a string of 13 Popes	64 Prepare to get juice
34 Dish alternative, maybe	65 Madonna's "La Bonita"
36 Loudness measure	67 Kind of law
37 Musician who co-starred in "Trespass"	69 Yoshida product
	71 Off, so to speak
	72 Drink with 87-Across

7/13/97
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111 Prize	15 Bulldog	53 Recruiter at a Wichita newspaper?	82 Name dropper?	108 Roman historian
112 Associated	16 Big goon	54 Inter —	84 Gong in an orchestra set	110 Some S'way shows
113 Shell shot at a Harrisburg newspaper?	17 50's-60's "What's My Line?" panelist	55 Say it ain't so	85 Run out	112 Bird whose male hatches the eggs
120 Come	18 Beginning of a tape	56 — squares (statistical method)	86 Hybrid cats	114 Bad-mouth
121 Nobel physicist	21 Harper, for one	58 Malcontent	87 Humidor item	115 Stage setups, for short
122 Frank	23 "Come Back, Little Sheba"	62 They're full of beans	88 File player	116 "Superman" servant
123 Rather awkward	27 Edna	64 A hobby pin may hold it	100 "As You Like It"	117 — bind
124 Mouthing off	29 Book before Nighm	65 "Look at me, —"	105 In unison	118 Baschell's
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	31 Come-on at a Lakeland newspaper?	68 Tuna fish — a-brac		
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	35 Handsome, as Henri	70 Misrepresent		
	36 Carmichael classic	77 Eddie Rickenbacker's 94th — Squadron		
	38 Sharon, for one	79 Alaska air base		
	40 Attorney-to-be's exams	80 Great Fire of London district		
	41 In base 8	82 Pelvic bones		
	43 Shipping dept. stamp	83 Tempter		
	45 Pupil's reward	85 Acting Day		
	48 Roy Rogers' real surname	88 Ges via computer		
	50 A great dist.	90 Prefix with 1-Across		
	51 — and last in the American League's team			

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SATURDAY-SUNDAY, JULY 12-13, 1997

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BT Takes New Look At MCI Deal

U.S. Firm's Warning Of Loss Sounds Alarm

Continued from Page 10

LONDON — British Telecommunications PLC said Friday that it could not rule out renegotiating its \$24 billion takeover of MCI Corp. after the second biggest U.S. long-distance carrier issued a profit warning.

As investors wiped more than £2 billion (\$3.38 billion) off BT's market value, a spokesman said the company was looking at what he described as a "complex situation."

MCI said late Thursday that it expected to post a loss for its local phone business of \$800 million in 1997 — twice what it previously forecast — and possibly more in 1998.

Shares of BT dropped 42 pence in London to 436. MCI fell \$7.375 in New York to \$35.

A BT spokesman said it was too soon to draw any conclusions about the planned deal. "At this stage, we are simply looking at the figures," he said.

MCI said that it expected the deal to go ahead as planned and that BT had been kept fully briefed on its plans to press ahead with local investments.

"We are still hopeful that we are going to close the merger by the fall," a spokesman said.

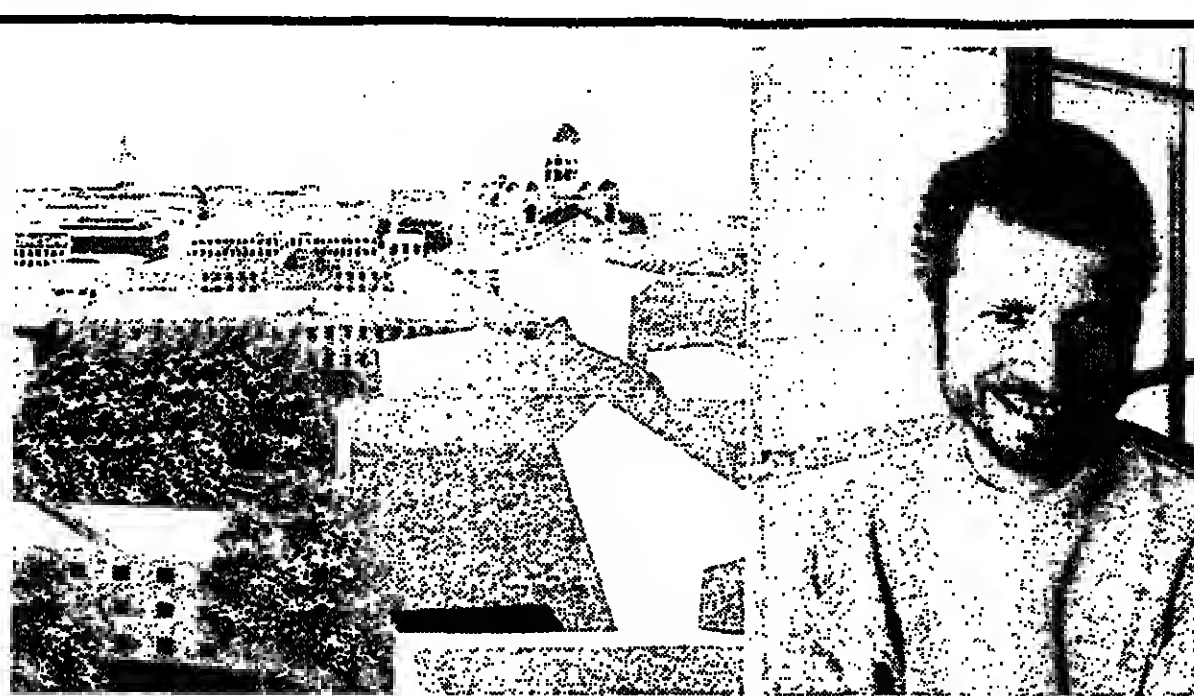
But some Wall Street takeover specialists said BT might have to back the price it was paying for MCI.

"They should renegotiate the terms of the MCI purchase," said Philip Harris, an investment manager at Albert E. Sharp. "I'd be very surprised if they don't. This represents a material dilution of MCI's value and they're going to have to sink a lot more money into the company than they thought they'd have to."

As alarmed MCI shareholders attempted to second-guess BT's next move, concerns were raised that the U.S. company might be exaggerating a slackening of its general business on a poor performance of its local operations.

"It's a tough call to predict," one MCI investor said. "Right now the bet is that this deal happens. This might just be posturing on MCI's part."

(Reuters, Bloomberg)



An artist's drawing, left, showing what the virtual reality phone book will look like on a computer screen. Risto Linturi is behind the project, which he says "will create 100,000 private television stations in the city."

Creating a Hyperlink for Helsinki

Project Plans to Turn Wired Capital Completely Interactive

By Youssef M. Ibrahim
New York Times Service

HELSINKI — Finland's heavily wired capital is busily turning itself into a sort of giant Web site.

Your personal computer will take you to your banker or tax collector during working hours for an argument over bills. Interactive cameras hanging over trees or buildings will let you check which speakers are protesting and which musicians are playing in the central square on Sunday morning. You can drop in on any number of concerts, plays, casinos or simply friends for an afternoon chat — all in real time.

Helsinki Arena 2000, which is scheduled to begin service in less than three years, is an interactive guide to the entire city, with its streets, shops, government offices, companies and landmarks meticulously reproduced and connected, interactively and audiovisually, by way of the Internet.

City telecommunications engineers,

company chief executives and the dreamers who put the project together are confident that Helsinki Arena 2000 will give the 1 million residents of the Finnish capital a new concept of bringing people together.

"What we are making is a 3-D interface that will create 100,000 private television stations in the city, uniting people through a combination of the telephone, the computer and the Internet," said Risto Linturi, a computer engineer who is technology director of Helsinki Telephone Co. The company is financing the project. That such an avant-garde project should first appear in Helsinki is not surprising.

Finland has the highest per-capita use of the Internet and mobile phones in the world; it is estimated that more than 60 percent of the country's 5 million people are linked to the Internet.

Mr. Linturi, who works with a large team of researchers and technicians, sees only imagination as a limit to commercial and service applications.

"You can check out what is happening on Main Street, or click a university and pick a lecture to attend in real time," he said. "Everyone who places a tiny camera, a cheap device that is already common, on their personal computer — from your banker to your barber — can be accessible by video and sound in real time."

The click of a mouse button would produce the telephone numbers of all of a building's tenants, except those who are unlisted.

There would be instant phone or video access to theaters and restaurants. From a wallet icon, a computer user would be able to pay and be ushered into a play in progress.

The fire department or the police would be able to identify instantly the building, street and home number from which a distress call was coming. Fire officials, at the touch of a button, could call everyone in the immediate vicinity

See WEB, Page 15

France Cancels Sale Of Thomson-CSF

Industry's Restructure Is in Doubt

By Barry James
International Herald Tribune

PARIS — France's Socialist government said Friday night it would halt plans to sell off its majority stake in Thomson-CSF, Europe's leading defense electronics company, casting doubts on projects to restructure the European defense industry to meet intensifying American competition.

But Prime Minister Lionel Jospin insisted that in preparing the company's future, the government would take into account "the prospect of mergers aimed at strengthening the defense industry in Europe."

The privatization of Thomson-CSF had been set by the previous conservative government of Prime Minister Alain Juppe.

The prospect of privatization had seemed likely to touch off a major realignment of the European defense industry, with rival bids from the missile-making conglomerate, Lagardere SA, and the engineering concern, Alcatel Alsthom SA, in an alliance with the state-owned plane-maker Aerospatiale.

The vast restructuring of the U.S. aerospace industry — with proposed mergers between Boeing Co. and McDonnell Douglas Corp. and between Lockheed Martin Corp. and Northrop Grumman Corp. — has forced Europeans to consider a Continent-wide makeover of their own.

Thomson-CSF's chief executive, Marcel Roulet, warned in the National Assembly earlier this week that the company would be in jeopardy if it remained in state hands and stood aloof from the wave of consolidation happening or about to happen in Europe.

Mr. Roulet said Thomson-CSF must be able to participate in the restructuring for the benefit of France's defense industry as a whole.

The government's refusal to sell the company raises the same questions as those surrounding Aerospatiale in its relationship with its German, British and Spanish partners in the Airbus Industrie consortium: How can a state-owned or state-controlled company, not fully exposed to market forces, join European conglomerates dominated by

private entities? And how can state-owned companies form global partnerships with privatized industries in the United States and elsewhere?

In its communiqué Friday night after the French financial markets closed, the government did not answer those questions.

It said it sought an industrial solution for the company aimed at creating "a French professional electronics and defense sector endowed with a decisive public capital structure."

It said it had decided to end the privatization process because this failed to "preserve the interest of the state, the company and its employees."

The statement said that in creating a "professional and defense electronics pillar with a determining public shareholding," the government would ensure that Thomson would be among the "alliances destined to reinforce the European defense industry."

It added that guidelines for the Thomson restructuring would be implemented in the next few weeks.

Last year, the government canceled the sale of Thomson SA, the parent company of Thomson-CSF, to Lagardere because of protest over Lagardere's plans to sell Thomson's consumer-electronics subsidiary, Thomson Multimedia, to Daewoo Electronic Co. of South Korea.

German Cabinet Approves Budgets

The government in Bonn approved Finance Minister Theo Waigel's draft supplementary budget for 1997 and the 1998 budget, both designed to help Germany meet the fiscal criteria for Europe's planned single currency.

The supplementary budget for this year raises the projected deficit, but the government has said the figures will still be low enough to allow Germany to qualify for Europe's planned economic and monetary union in 1999. Page 13.

ECONOMIC SCENE

U.S. Finds Modest NAFTA Benefits

By Richard W. Stevenson
New York Times Service

WASHINGTON — Four years after a divisive debate over how a free-trade pact with Mexico and Canada would affect U.S. workers, the Clinton administration told Congress on Friday that the North American Free Trade Agreement has so far generated modest benefits for the United States.

The report provides ammunition to supporters and to critics of the trade pact, and is unlikely to defuse the coming debate over the administration's plan to extend free trade throughout the hemisphere.

"The facts point to only one conclusion: NAFTA hasn't measured up," said Representative Richard Gephardt of Missouri, the Democratic leader in the House and one of the most insistent critics of the agreement.

"Before we proceed with further trade negotiations," he said, "we need to ensure that trade results in real progress for the broadest cross-section of people."

The administration report, the White House's first formal assessment of the trade agreement since it went into effect in January 1994, said exporters in such industries as textiles, transportation equipment and electronics had benefited from the reduction in Mexican tariffs and that the direct benefits to the U.S. economy would mount over time.

The report said that the pact stimulated greater exports to Mexico, despite the deep financial crisis that en-

gulfed Mexico in 1995 and turned a small U.S. trade surplus with the country into a deficit that reached \$17.5 billion last year.

The pact also increased U.S. exports to Canada during the past three years, the report said, although the trade deficit with Canada doubled from 1993 to 1996, to \$21.7 billion, because of a surge of imports from that country.

But the administration, which fought hard for approval of the pact despite strong opposition from labor unions, environmentalists and other Democratic constituencies, found only sketchy evidence that the agreement had helped American workers.

The administration said studies it commissioned suggested that 90,000 to 160,000 American jobs relied on increased exports to Mexico that have come because of the pact.

The report did not provide — or even try to provide — a precise accounting of how many American jobs might have been lost as companies moved manufacturing to Mexico to take advantage of lower wages there.

Officials said there were largely unsolvable problems in generating an accurate estimate of job losses.

But the report said the number of people whose jobs were lost to Canada or Mexico was probably between 32,000, the number of those who applied for unemployment and retraining benefits under government programs for workers displaced by changing trade patterns with those countries and nearly 100,000, those who were certified by

the government as eligible for those programs, which often cover workers not directly affected by NAFTA.

While the administration reiterated its long-held position that export-oriented jobs paid better than the national average for production workers, the report did not directly address whether the new jobs were better paying than those lost as companies shifted employment to take advantage of the new trade rules.

The trade agreement "has made a modest positive contribution to the U.S. economy in terms of net exports, gross domestic product, employment and investment," said the report, which the administration is required to submit to Congress.

While upbeat about the long-term outlook for the trade pact, the administration report largely avoided the kinds of sweeping claims made on its behalf in 1993 when President Bill Clinton rallied support over the intense opposition of critics who contended that free trade with Mexico would send jobs streaming south of the border. Supporters argued at the time that the agreement would create hundreds of thousands of jobs even after accounting for jobs lost; critics said the effect would be precisely the reverse.

The administration's conclusions are largely in line with those of the last major study of NAFTA, issued last year by researchers at the University of California at Los Angeles. That study found that the trade pact's effect on employment in the United States was probably a "moderately positive number."

CURRENCY & INTEREST RATES

Cross Rates										Libid-Libor Rates											
July 11										July 11											
Australian	1.945	3.276	1.229	0.235	0.714	—	5.64	1.346	1.204	1.43	12.33										
Brussels	36.20	61.49	20.44	4.38	2.027	18.27	—	24.875	3.215	3.51	34.4										
Frankfurt	1.389	2.987	0.289	0.107	0.482	4.64	1.29	1.45	1.28	1.38	1.4										
London	1.494	—	2.992	0.123	0.497	1.276	6.108	2.238	19.398	2.231	25.277										
Mexico (d)	14.658	23.287	8.427	2.487	1.689	24.91	4.891	18.81	12.71	10.56	—										
Niles	17,179	2,980	9,848	2,818	85.8	47.5	11,818	13,86	12,828	11,58	—										
New York (d)	—	1,0792	1,0792	1,0792	1,0792	1,0792	1,0792	1,0792	1,0792	1,0792	1,0792										
Osaka	5.991	16,078	3,778	—	0,347	3,007	0,167	4,080	2,244	4,364	4,895										
Seoul	112,45	19,19	64,78	19,16	8,665	57,53	3,135	78,23	—	82,6	87,65										
Tokyo	1.4	2,479	0,823	0,244	1,072	3,974	—	1,327	1,168	1,777	—										
Toronto	1.1	1,611	0,775	1,975	6,867	1,255	22,04	4,823	1,451	12,147	1,577										
1 SDR	1.793	0.829	2.457	8.292	1.743	51.778	2.829	12.819	1.915	26.53	—										
Closings in Amsterdam, London, Milan, Paris and Zurich. Bidings in other centers: New York rates at 4 P.M. and Toronto rates at 3 P.M.																					
a: To buy one pound: To buy one dollar: Units of 100 N.Z.D.: not available.																					
Other Dollar Values										Key Money Rates											
Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	United States	Close	Prev	British	Close	Prev	Bank base rate	6 m	6 m	6 m		
Argentine peso	0.0996	Greek drac.	276.81	Mex. peso	7.871	S. Afr. rand	4.555	—	—	Discount rate	5.00	5.00	Call money	8 1/4	8 1/4	Call money	6 1/4	6 1/4	6 1/4		
Australian \$	1.3499	Hong Kong \$	7.7458	N. Zealand \$	1.4939	S. Kor. won	890.40	—	—	Federal funds	5 1/4	5 1/4	1-month interbank	6 1/4	6 1/4	1-month interbank	6 1/4	6 1/4	6 1/4		
Canadian \$	1.2383	Indones. rup.	1,699.28	Norw. krone	7.3785	Sing. dollar	7.7327	—	—	90-day CD dealers	5.61	5.61	3-month interbank	6 1/4	6 1/4	3-month interbank	6 1/4	6 1/4	6 1/4		
French franc	1.0792	Indian rup.	25.57	Phil. peso	22.30	Taiwan \$	22.80	—	—	180-day CD dealers	5.50	5.51	6-month interbank	7 1/4	7 1/4	6-month interbank	7 1/4	7 1/4	7 1/4		
Chinese yuan	8.2713	Indo. rup.	2,423.75	Polish zloty	3.20	Thai baht	28.92	—	—	3-month Treasury bill	5.00	5.00	10-year Gilt	7.04	7.09	10-year Gilt	7.04	7.09	7.09		
Czech koruna	33.07	Irish £	0.6540	Port. escudo	177.44	Turkish lra	1,625.70	—	—	1-year Treasury bill	5.25	5.25	—	—	—	—	—	—	—		
Danish krone	6.705	Israeli sheq.	3.3521	Russ. ruble	577.50	UAE dirham	3,6705	—	—	5-year Treasury bill	6.12	6.12	—	—	—	—	—	—	—		
East. germ. mark	1.2008	Saudi riyal	0.2066	Sing. dollar	7.7327	Venez. bolivar	468.75	—	—	7-year Treasury bill	6.18	6.18	Call money	3 1/2	3 1/2	3-month interbank	3 1/2	3 1/2	3 1/2		
Finn. markka	5.2285	Sing. dollar	7.7327	—	—	—	—	—	—	10-year Treasury bill	6.24	6.24	1-month interbank	3 1/2	3 1/2	3-month interbank	3 1/2	3 1/2	3 1/2		
—	—	—	—	—	—	—	—	—	—	30-year Treasury bond	6.52	6.52	3-month interbank	3 1/2	3 1/2	3-month interbank	3 1/2	3 1/2	3 1/2		
—	—	—	—	—	—	—	—	—	—	Merrill Lynch 30-year RA	5.07	5.07	10-year DAT	5.00	5.07	—	—	—	—		
Sources: Reuters, Bloomberg, Merrill Lynch, Bank of Tokyo-Mitsubishi, Citicorp, Credit Lyonnais.																					
Forward Rates										Gold											
Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day										
Pound Sterling	1.4959	1.4941	1.4924	Japanese yen	113.22	112.24	112.28	—	—	—	—										
Canadian dollar	1.2644	1.2628	1.2615	Swiss franc	1.4496	1.4444	1.4293	—	—	—	—										
Deutsche mark	1.7508	1.7530	1.7490	—	—	—	—	—	—	—	—										
Sources: ING Bank (Amsterdam), Indosuez Bank (Brussels), Banca Commerciale Italiana (Milan), Banque de France (Paris), Bank of Tokyo-Mitsubishi (Tokyo).																					

Van Gogh

La Moisson en Provence, 1888

Sold at Sotheby's for £8.8 million in June, 1997

A World Auction Record for a Work on Paper by the Artist

SOTHEBY'S

EUROPE

Endesa and STET Gain Entry to Spain's Telephone Market

MADRID — Endesa SA and STET SPA won their bid Friday to buy 60 percent of Telefonos de Espana SA, the Spanish government-owned telecommunications company that aims to end the current monopoly in basic telephone services in Spain.

The decision, which may shift the balance of power among telephone companies in Europe and Latin America, was widely expected after Endesa of Spain and STET of Italy offered 116 billion pesetas (\$783.3 million) last month for the Telefonos de Espana bid. That was almost three times the minimum bid of \$45 billion

pesetas set by Telefonos. The company's remaining 40 percent will be privatized in the next few years. The winning consortium outbid a group including Banco Central Hispano SA, France Telecom SA and Sprint Corp. of the United States, which offered 84 billion pesetas.

In the next few months, Telefonos is to become Spain's second largest telephone operator as Spain goes ahead with a decision made last year to fully liberalize its telecommunications market in December 1998.

Endesa, the state-owned power company, made good on its pledge to diversify into Spain's fast-growing telecommunications markets.

Entering Spain will give STET, whose full name is Societa Finanziaria Telefonica SPA, a piece of the country's 1.5 million-peseta-a-year basic telephone-service market and mark the company's biggest expansion outside Italy, including a key link to Latin America.

"STET's plans for the future are to expand in Latin America and to become a springboard for this market," said Raffaele Mascetta, an analyst at Banco Di Sardegna in Milan.

Latin America, sharing language and history with Spain, is seen as a natural market for Telefonos, which hopes to mirror Telefonos de Espana SA's success selling telephone service there.

Telefonos, Spain's only basic phone service provider, will lose that monopoly. Revision, currently a carrier of satellite television signals, is expected to begin commercial telephone service primarily to corporate customers before the end of this year. Analysts expect it will capture up to 20 percent of Telefonos's domestic and long-distance market within five years.

Spain further committed to licensing a third telephone company before the end of next year to meet European Union demands that it fully open its telecommunications markets to competition.

Shares in Endesa, or Empresa Nacional de Electricidad SA, rose 70 pesetas to 12,500 in Madrid, while STET shares closed at 10,155 lire (\$5.94) in Milan, a gain of 85.

(Bloomberg, AFP)

BRUSSELS — Negotiators for Renault SA and representatives of Belgian trade unions disagreed Friday over the text of a take-it-or-leave-it layoff plan for blue-collar workers at the carmaker's Belgian plant.

The 2,700 blue-collar workers at the Vilvoorde plant near Brussels are to vote Thursday on the plan.

Renault reached an agreement earlier Friday with trade unions for around 400 white-collar workers, about 15 percent of the work force, that included more severance pay than Renault initially offered.

Blue-collar unions, biding out for a similar package, threatened to block a Renault car plant in France. They also said they wanted a firm commitment from Renault to save a total of 600 jobs at the plant.

"If the situation remains like this, I fear the worst," said Georges Jacquemijn, a union spokesman.

Renault plans to close the plant by the end of this year as part of a plan to cut costs.

Reading & Bates shares were up \$2.37 to \$115.45 in trading on the New York Stock Exchange, while Falcon shares were up 50 cents to \$5.37.

Oil-drilling rigs are in demand, and building new rigs is expensive. The corporate marriage will allow the companies to bid for larger contracts without having to buy rigs.

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German Budgets Approved

BONN — The government on Friday approved Finance Minister Theo Waigel's draft supplementary budget for 1997 and the 1998 budget, both designed to help Germany meet the fiscal criteria for Europe's planned single currency.

The supplementary budget for this year raises the projected deficit to 71.2 billion Deutsche marks (\$40.6 billion) from an original plan of 53.3 billion DM.

But the government has said the figure will still be low enough to allow Germany to qualify for European economic and monetary union in 1999.

"The decisions of the last few weeks were hard, but we were successful," Mr. Waigel said at a news conference after the cabinet approved the budget. "We have reached a good, sustainable conclusion."

The president of the Bundesbank, Hans Tietmeyer, and the central bank's chief economist, Oskar Issing, also have approved the budgets, Mr. Waigel said.

The supplementary budget calls for the government to sell part of its crude oil reserves, tighten state spending and contain social-security payments to reduce its deficit enough by year-end to qualify for Europe's planned single currency.

The budget met criticism from Germany's opposition Social Democrats. An economic specialist, Ingrid Mathaeus-Maier, called it a "desperate attempt to mend holes in order to just get by."

Countries wishing to participate in the currency union must hold their 1997 budget deficits to no more than 3 percent of their gross domestic products.

Asked about estimates by Germany's six leading economic institutes that put its budget deficit at 3.2 percent, Mr. Waigel said, "We think the deficit is less than 3.2 percent and are counting on 3.0 percent."

Mr. Waigel added that the 1998 deficit would be "clearly under" 3.0 percent, with faster economic growth of 2.75 percent helping to counter unemployment, which is still near postwar highs. He said the budget had been prepared on the assumption that average unemployment would decline by

100,000, to 4.2 million from 4.3 million this year.

The government probably will raise its growth forecasts for 1999 through 2001, Mr. Waigel said. At present, it forecasts growth of 2.5 percent for each of those years.

The government said it planned to raise as much as 400 million DM this year by selling part of the nation's crude-oil reserves. At current oil prices, about 12.6 million barrels would have to be sold.

Germany also plans to generate a 10 billion DM profit this year by "selling" part of its 74 percent stake in Deutsche Telekom AG, the phone and cable-television company, to a government-run holding company, Kreditanstalt fuer Wiederaufbau. It will book another 15 billion DM profit from a similar "sale" next year.

Altogether, Germany plans to reap 12.7 billion DM from asset sales this year, plus 19.2 billion DM next year, Mr. Waigel said.

Bonn also outlined its plan to sell Deutsche Postbank AG, the banking arm of Germany's postal service, starting in 1998.

(Bloomberg, AFP)

WASHINGTON — The United States turned up pressure Friday on the European Union to tone down its rhetoric on Boeing Co.'s proposed acquisition of McDonnell Douglas Corp.

The U.S. trade representative, Charlene Barshefsky, said Washington was "concerned" with "some of the rhetoric coming from Europe in advance of the facts" on the proposed \$14 billion combination.

While U.S. antitrust officials approved the combination, their EU counterparts recommended last week that the EU reject it because it would increase Boeing's market share for jetliners and service worldwide.

U.S. officials say the EU may be trying to win trade concessions in exchange for approving the combination. "We expect the EU review to be conducted solely on competition policy grounds and not on a political basis," the U.S. representative said.

The European Union will make its decision on July 23. The EU has no authority to block the combination but could impose fines of as much as 10 percent of the company's revenue.

"We will look carefully" at what the EU decides, Ms. Barshefsky said.

Boeing and McDonnell Douglas are competing solely on competition policy grounds and not on a political basis, the U.S. representative said.

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TOKYO - Shares plummeted after the Japanese asked creditors to cancel 50% of debts. The company, Sumitomo Bank, said the company's sales this month met terms. It has agreed to pay 1 billion yen (\$100 million) likely to be paid in yen, Mr. The stock price of 95:00 has fallen about 7

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Speculating on Speculators

Pressure on Peso May Have Arisen in Philippines

Bloomberg News
MANILA — President Fidel Ramos blames "outside sources" for driving down the peso, which the government let slide Friday under attack by speculators.

But if Mr. Ramos needs to point the finger at speculators who forced the Philippines to devalue its currency, he might want to start in his backyard.

The Philippines' restrictions on trading its currency in forward markets — that is, making bets on what the peso will be worth months or years down the road — make it very difficult for foreign speculators to roll the dice on the peso.

So the currency traders in the dealing rooms of Manila's own banks may be behind an attack that will reap big profits now that the Philippines has surrendered and let the peso slide, analysts say.

"It can't be the foreigners," said Malcolm Robinson, who manages a hedge fund at Richmond Asia-Pacific Ltd. in Hong Kong.

The peso fell 11.5 percent immediately after the central bank let it slide Friday morning, saying it would no longer buy pesos or hold a key interest rate at more than 30 percent. The dollar rose to 29.45 pesos, its highest level in almost four years.

It is not surprising that Mr. Ramos would blame foreign investors. They have taken lots of heat in Asian currency markets lately.

Last month Thailand accused the American financier George

Soros of leading an assault on the baht that cost billions of dollars to defend and led Thailand last week to devalue the currency. That courts the risk of higher inflation and hobbles companies with lots of foreign debt, which they must now pay back in weaker baht.

As the next domino in line, the Philippines had to raise a key short-term interest rate to 32 percent to keep investors from fleeing Philippine investments, which become less valuable if the peso weakens. Yet that also threatens to choke off growth by making it prohibitively expensive for companies and consumers to borrow.

The benchmark stock index had fallen 11 percent since Thailand devalued the baht nine days ago, and is down 21 percent this year, the second-worst performance in the world. Pressure had built on the central bank and the politicians to let the peso depreciate as fund managers watched their stocks slide.

"Companies wouldn't want to borrow at such high rates, which could have an impact on the economy," said Joel Mendoza, research head at Banco Santander's Manila office.

Forward contracts allow speculators like hanks and hedge funds to sell a currency now in hopes that it will fall and they can buy it more cheaply in the future, the difference being their profit.

Forwards are also used by companies and big investors with a real need to hedge their losses

should a currency begin to drop, although they probably represent no more than a fifth of the \$1 trillion traded in the currency market every day.

Companies that do not hedge foreign-exchange risks ignore this protection at their peril. Siam Cement Co., the Thai company with the most foreign debt, said Thursday that it might be driven into a loss this year by the baht's devaluation. The company expects earnings to drop by \$330 million if the dollar rises to 30 baht from around 29.

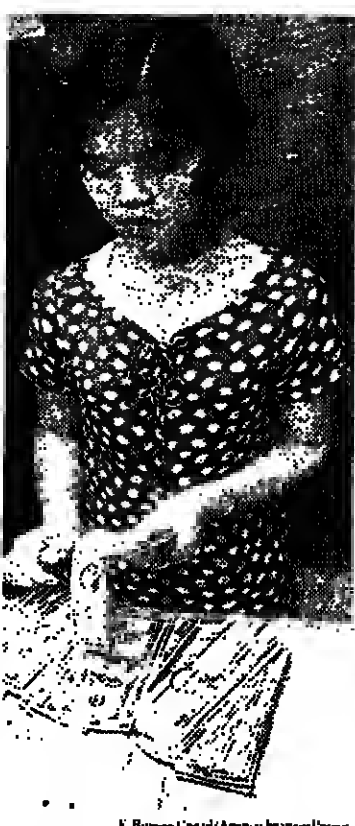
In the case of Mr. Soros, his associates later said they had taken a beating in attempting to force the baht lower by betting that Thailand would devalue it even sooner. As the Bank of Thailand fought doggedly to hold the baht up, it stopped lending baht to foreign investors.

That took away the speculators' main tool, because without a supply of baht, they could not speculate on where it might end up in the future.

The Philippines did not have to go that far because it already bans forward contracts on the peso.

Companies and investors can hedge their foreign-exchange risks by using what are called nondeliverable forward contracts, but legally these cannot be used to speculate on the currency.

As a result, the peso is "a much tougher market to short," said Philip Moffitt, an executive at Tokai Asia Ltd., which operates a hedge fund in Hong Kong.



A teller in Manila on Friday.

By closing forward markets to foreign investors, countries such as the Philippines help ensure the stability of their currencies.

At the same time, harring foreigners from access to forward markets can restrict investment by making it harder for foreign companies to hedge their foreign-exchange risk. Also, companies may have less incentive to invest in nations from which it is more difficult to repatriate profits.

Dong Ling Is Ready To Trade

Joint Venture Fulfills A Pledge by Jiang

Compiled by Our Staff From Dispatches

SHANGHAI — China's first joint-venture foreign-trade company has been established in Shanghai, a breakthrough aimed at easing the country's entry into the World Trade Organization.

Dong Ling Trading Corp. was set up by a local company, Oriental Trading Group, plus Mitsubishi Corp. of Japan and Continental Grain Co. of the United States, according to a report Friday in China's official business news.

Dong Ling Trading has registered capital of \$12.5 million, of which 51 percent comes from Oriental, 27 percent from Mitsubishi and 22 percent from Continental Grain. The company will trade in machinery, electronic devices and high-technology products.

The Ministry of Foreign Trade and Economic Cooperation has issued business licenses to the companies, and operations are to begin soon, officials said.

Another joint venture, between Shanghai Liansheng Group and South Korea's Daewoo Corp., is also in the final stages, the newspaper reported.

The move follows a pledge made by President Jiang Zemin at the Asia-Pacific Economic Cooperation forum in October 1995 that China would experiment with joint-venture trading companies in Shanghai and several other cities.

The approval will introduce competition to a key sector. It was a major step forward in economic reform, executives and analysts said Friday.

"The introduction of foreign firms in foreign trade will bring real competition to the sector," a Chinese export manager said.

"It will specifically hit state foreign-trading companies, which have so far been protected by foreign-trade quotas and have been able to do business even at a loss so long as they earn some foreign exchange."

The foreign companies would benefit from lower tariffs on goods exported to China, while Chinese companies would gain foreign management and expertise, an official said. (AFP, Reuters)

Investor's Asia			
Exchange	Index	Prev. Close	% Change
Hong Kong Hang Seng	15,225.29	14,839.23	+2.60
Singapore Straits Times	1,967.14	1,968.94	-0.06
Sydney All Ordinaries	2,699.10	2,694.40	+0.17
Tokyo Nikkei 225	19,675.48	19,754.76	-0.41
Kuala Lumpur Composite	1,411.61	1,006.52	+6.90
Bangkok SET	699.58	649.38	+7.59
Seoul Composite Index	769.30	767.77	+0.02
Taipei Stock Market Index	8,394.63	8,423.74	-0.32
Manila PSE	2,791.14	2,511.15	+7.57
Jakarta Composite Index	723.42	729.15	-0.79
Wellington NZSE-40	2,546.84	2,507.21	+1.58
Bombay Sensitive Index	4,321.98	4,378.37	-1.29

Source: Reuters

Very briefly:

- The Economic Planning Agency upgraded slightly its assessment of Japan's economy in its June report, citing a fading negative impact of the April 1 consumption tax increase.
- Thirteen top Japanese banks and two large brokerage houses, including Yamaichi Securities Co. and Nomura Securities Co., have stopped subscribing to publications issued by racketeers in a bid to sever ties with *sokaiyo* extortionists.
- Cam International Holdings Ltd. probably overstated profits in the past three years and may have incurred losses instead, according to a report by the Price Waterhouse accounting firm. The financial review followed allegations that two Cam executives may have improperly concealed loans.
- Singapore expects to narrow its budget surplus by 24 percent for the year ending March 31 to 4.8 billion Singapore dollars (\$3.4 billion), compared with a year ago.
- China's new municipality of Chongqing will cut the tax rate for foreign companies, the China Economic Times reported. Foreign companies operating in economic development areas would pay 15 percent to 24 percent tax on profits. The standard corporate tax rate is 33 percent.
- Fuji Television Network Inc., a major broadcaster in Japan, plans to raise 83.02 billion yen (\$736.3 million) through an initial public offering in August. AFP, Bloomberg

Japan Banks Urged to Consolidate

Bloomberg News
TOKYO — The Liberal Democratic Party called Friday for merging five state-run banks as part of Prime Minister Ryutaro Hashimoto's drive to streamline Japanese government.

The governing party's special task force on administrative reform said the government should scrap the Japan Development Bank by March 2000, with a new government lender absorbing its assets as well as Tohoku Development Corp., Hokkaido and parts of three other public lenders.

Yaohan Shares Drop as Retailer Seeks Debt Reprieve

Bloomberg News
TOKYO — Yaohan Japan Corp. shares plummeted 34 percent Friday after the Japanese retailer said it had asked creditors to postpone payment of debts.

The company's president, Mitsumasa Wada, said late Thursday the company had asked 60 wholesalers this month for special payment terms. So far the wholesalers have agreed to delay payment of 4.5 billion yen (\$39.9 million) in debt, a figure likely to increase to 5.5 billion yen, Mr. Wada said.

The stock fell 48 yen to a record low of 95. Yaohan's shares have fallen about 70 percent since the be-

ginning of May amid concern about the company's financial health.

Yaohan's finance director, Hiroshi Takahashi, said Thursday that delay was needed because revenue had fallen since the company sold 16 stores to Dai-ichi Inc. to pay off debt.

"They sold the crown jewels and there's nothing left," said Mike Allen, a retail analyst at ING Barings. "The stores they sold were infinitely more profitable than any other stores the Yaohan group has ever operated in Japan."

After the close of trading Thursday, Mr. Wada denied reports that Yaohan had asked banks to lower interest payments on loans. He said

the banks had extended the repayment period to March 1999, the date by which the company plans to complete its restructuring.

Mr. Wada denied reports the company had entered new talks with banks and said Yaohan had not filed for protection from creditors.

Analysts said rapid expansion overseas pursued in recent years by Yaohan was behind its problems, because it had left the grocer's domestic operations financially strapped and vulnerable to increased competition in the home market.

Yaohan's troubles do not augur well for other smaller grocery chains in Japan exposed to increas-

ing competition from large-scale retail chains, analysts said.

Aoki Denies It's in Trouble

Aoki Corp. on Friday denied speculation that the construction company was in financial trouble.

Aoki's president, Yoichiro Yano, said the company was in good financial condition, Bloomberg News reported. He was responding to concern after the bankruptcy last week of Tokai Kogyo Co., another Japanese construction company. Many midsize construction firms are struggling to repay loans to banks as their income falls because of cuts in government spending on public works.

WEB: Helsinki Goes Interactive

Continued from Page 11

with a recorded message to leave their homes.

"Our target is 100,000 simultaneous users, all wired in," said Immo Tepert, an architect working on the project, who started building computer models of vast sites in 1988.

As he explained and demonstrated at the Helsinki Telephone Co.'s advanced-technology laboratory, a guitarist sitting in a theater several blocks away used a computer's live microphone to ask what the guests would like to hear.

"What is new," Mr. Tepert added, "is the mass application."

"Instead of making just one square or one building accessible, we are making a whole city accessible in a multimedia network with its everyday life," he said.

It is, of course, fun. But it is also big business.

"I think virtual reality is the main area" where communications can be used in the future, said Pekka Vennamo, president and chief executive of the government-owned Telecom Finland, which also runs the country's postal services and was the first in the world to offer its customers phone connections over the Internet, an application that is becoming common.

"It's like luxury cruises

which are a concept, not just a boat," Mr. Vennamo said at his offices, where his desk computer is topped with a tiny camera that allows him to run conference calls with his executives across town and throughout the country.

Business is also the reason that Helsinki Telephone Co., which is the largest private-sector operator in Finland, was willing to pour big money into Helsinki Arena 2000.

Mr. Linturi estimates that the cost of installing the support system, which is under way, could reach \$100 million. The fiber-optic and copper wiring being placed underground all over town will serve several purposes, including telephone and electronic connections that will expand Internet and television use.

Mr. Linturi, the man behind the virtual reality dream, lives up to the part. Working strictly from home, he has no offices in the telephone company. At his new house, being built in Helsinki on the shore of the Baltic Sea, the ground floor is designed to have computers and large screens from which he will peer into the city and teach his students, a side occupation he cherishes.

"I believe more and more of us will be engaged in remote work from home, mobile phones or personal computers," he said. "I am already there."



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Global Funds Enjoy The Luxury of Choice

Managers Shop for Best Bond Returns

By Judith Rehak

American Treasury bonds have enjoyed a powerful rally since April, when the yield on the bellwether 30-year issue peaked at 7.18 percent. Now, many managers of global bond funds, who can shop around the world for the best returns, are shunning the 6.51 percent returns available on U.S. Treasuries Friday afternoon, opting for other markets that they hope will be more lucrative.

In the United States, multisector bond funds typically send about a third of their assets overseas. Over the last two years, the booming American junk bond market has propelled their returns, but many are looking to their foreign stakes—and beyond—for fatter yields.

"What we're seeing more and more of late is fund managers taking their foreign sovereign debt and shifting it into emerging-market debt," said Eric Jacobson, a fixed-income analyst at Morningstar Inc., the Chicago-based fund tracker.

The more conservative funds have bought Brady bonds, dollar-denominated, restructured bank debt, sticking with issues from countries like Poland, whose sovereign credit rating is improving, Mr. Jacobson said.

At the other end of the spectrum is the \$264 million Lazard Strategic Yield fund, which has committed a 34 percent stake to local currency debt in countries such as Croatia, Kenya and Peru. As dicey as that sounds, Alice Lowenstein, who follows the fund for Morningstar, considers it low-risk because it is spread in small amounts among 37 countries.

"The fund has gone quite a bit further in its strategy," she said, "but, that said, these investments have been very good for it."

Strategic Yield had a total return of 13.75 percent last year and is up about 5 percent this year, placing it in the top third of multisector funds.

But not all portfolio managers are enthralled with emerging-market debt. "It's done well in the past two years, but there could be some unhappy investors because that area is a lot more volatile," said Robert Alley, who runs the AIM Income fund, recalling losses inflicted by Mexico's peso devaluation in 1994.

Instead, Mr. Alley, who is based in Houston, sticks with developed countries for the 30 percent overseas portion of his \$340 million fund, up 4.9 percent this year. Lately, with the dollar hitting a three-and-a-half-year high against the Deutsche mark, he has been trimming his German and French holdings, and moving into dollar-influenced markets with higher yields, such as Australia, Canada and New Zealand.

In New Zealand, for example, a 10-year government bond yields about 6.74 percent, compared with just 6.20 percent for a comparably dated U.S. Treasury. Is there need to worry about foreign-exchange fluctuations?

Their currency has already weakened against the U.S. dollar," Mr. Alley added, "so the downside currency risk is out."

He has also been adding to one of his most profitable non-U.S. bets, a stake in British government bonds. The gilt market registered a strong month in June, rising 2.83 percent in dollar terms.

Britain's gilt market also looks appealing to Marc Vermoij, who invests in developed Europe from Amsterdam, where he runs the ABN Amro Europe Bond Fund. Fueling his enthusiasm is the decision of the British government to make the Bank of England independent.

"We expect the bank to be more focused on low inflation and stable currency, and that's a bond-friendly environment," he said. Moreover, he said, "it's the highest-yielding market in Europe." Currently, 10-year gilts are yielding about 7.02 percent, far above the paltry return of 5.54 percent in German bunds, the European benchmark.

Like others who invest in the bonds of Europe's developed economies, one of Mr. Vermoij's most successful strategies in the last two years has been the "convergence" play, contributing to his fund's 10.8 percent rise for the year to the end of June. Under this scenario, countries preparing for European monetary union have been reforming their economies and thus pushing down yields on their government bonds toward the German equivalents. This has caused their prices to soar, producing handsome returns for fixed-income investors.

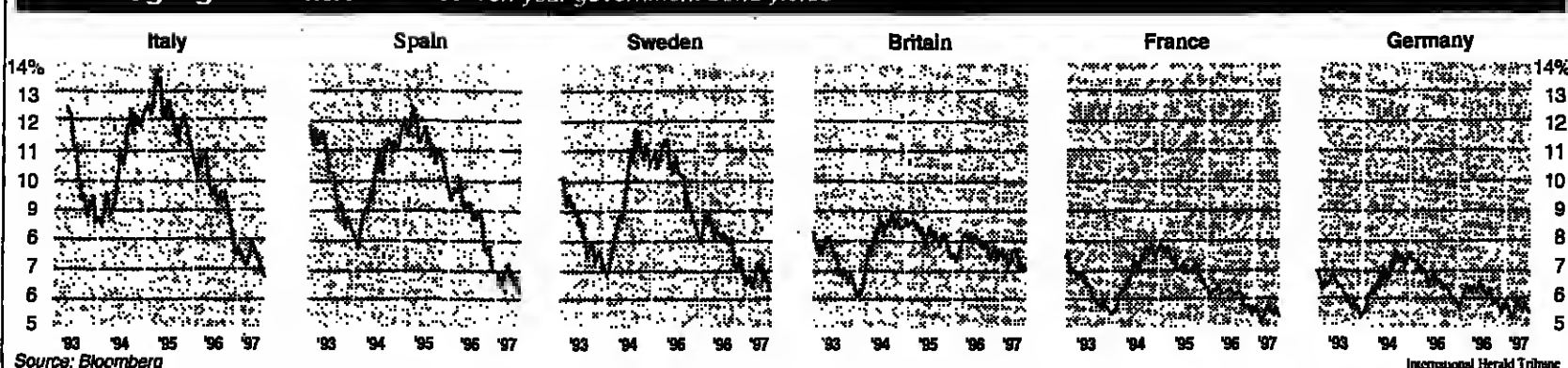
But now, with the convergence play winding down for countries like France and the Netherlands, Mr. Vermoij has turned to the shorter-maturity bond markets of Italy and Spain.

"Shorner rates in Italy are still over 6 percent, much higher than Germany, where they are about 3.4 percent," he said. He is betting that monetary union will happen "on time," in a year and a half, spurring a price run-up in three-to-four-year Italian bonds as their yields fall to meet their German benchmarks. Accordingly, he has boosted his stake in Italy to 26 percent from 18 percent.

Mr. Vermoij has duplicated his Italy and Spain strategy in ABN Amro's Global Bond fund, which he also manages. But since this vehicle allows him to shop outside Europe, he also is sending some of his cash to dollar-hill countries, although he emphasized it was not going to the United States.

Continued on Page 19

Converging on Maastricht? Ten-year government bond yields



What Will EMU Mean for Bond Investors?

By Conrad de Aenlle

FOR MONTHS now, European bond traders have put so much faith in the ability of their political leaders to forge an economic and monetary union that they have treated many of the continent's weak economies as if they will indeed reform themselves to conform with the strict criteria laid out in the Maastricht treaty.

What this means is that yields on bonds from countries such as Spain and Italy are not much higher than the returns on German bunds, the bellwether for the European market. Traditionally, Germany ran a tight fiscal ship, keeping the Deutsche mark strong even at the cost of job creation, while its more profligate neighbors would seek to spend their way out of bad times and boost their exports by allowing their currencies to fall, creating inflationary pressures in their domestic markets that sapped the value of their bonds.

Yet the outlook for the monetary union, which would see creation of the euro in place of national currencies, is unclear. Based on current situations, only three of the European Union's 15 members are likely to meet all of the criteria for joining. None of this trio — Luxembourg, the smallest EU country; Britain, traditionally wary of European integration; and Finland, a recent arrival — are considered vital to the project's success.

Of the two countries at the core of the union plans, Germany will have to make a determined effort to meet the criteria, while France seems unlikely to pare its budget deficit even close to the required 3.0 percent of gross domestic product. With both countries plagued by high unemployment rates and France's newly elected Socialist government having made campaign vows to alleviate joblessness, the odds against a

Maastricht-like currency union coming into force by 1999 are lengthening.

This raises questions for fixed-income investors, with three scenarios:

• The union goes ahead as planned and more or less on time.

• The convergence criteria are relaxed, allowing the union to proceed for political reasons but with less sound economic underpinnings than planned.

• The union is postponed significantly or canceled.

Each scenario would require a different response from investors, but some analysts think the best idea would be to avoid the market entirely and opt for short-term U.S. Treasury issues, where the two-year note now offers a 5.86 percent return in the resurgent dollar. The British market, separated physically and otherwise from mainland Europe, would be an alternative strong-currency play, with 10-year gilts yielding 7.02 percent.

Many investors feel they must have exposure to the European markets, where yields still reflect the first scenario. The shrinking of spreads between weaker borrowers and Germany has accelerated in recent weeks. In mid-May, Italian 10-year government bonds yielded as much as 1.6 percentage points more than bunds. They are currently trading with a spread of less than one point, with Italian issues at 6.45 percent and bunds returning 5.54 percent.

The premium of bonds issued in Spain has narrowed over the same span from 1.1 points to a sliver over 0.6 point. At 6.18 percent, their yields are slightly lower than those of 10-year U.S. Treasury bonds, while the yield on Portuguese bonds is just 6.21 percent, roughly equivalent to the comparable U.S. maturity. In a sane world, would yields on Italian bonds be only a few ticks higher than U.S. Treasury yields of the same maturity, and

would traders demand a premium in hold Treasuries instead of Spanish bonds?

"Spain and Italy have made some staggering transformations, but I have to admit it looks odd, especially to a U.S. investor," said Steven Bell, chief economist in London for Deutsche Morgan Grenfell. In a long run, he said, the dollar looks stronger than the peseta.

"In that context, Treasuries look very cheap," he said. "If I had to buy an asset and couldn't sell it for 10 years, I'd probably rather buy Treasuries than Spanish bonds. But I don't buy and hold these things 10 years."

I'm just looking at the near-term prospects. Growth in the U.S. is looking strong, there's no slack in the economy. U.S. interest rates are going to go up. In Europe there's no inflation and no growth."

Besides, he pointed out, "the argument that says get out of Spain and Italy and get into Treasuries would have had you lose money in the last year or so."

He does not find it a good argument now, either. Morgan Grenfell forecast earlier this week that spreads over bunds are likely to continue to fall, to 0.6 percentage point for Italian bonds and 0.4 point for Spanish bonds. That view is based on two assumptions, widely shared in the bond market: that EMU will go ahead and it will include those countries, as in the second scenario.

Credit Suisse First Boston also expects an ecumenical system, including all the southern countries except Greece. It expects the start, planned for Jan. 1, 1999, to be delayed up to a year, but considers Italy "still the ultimate convergence play."

Its analysts also recommend debt from Spain and Ireland, as well as the fiscally prudent malcontents — Britain and Sweden, which are unlikely to join EMU at the start, and Norway, which said no to

the European Union altogether.

Yet if the currency union falls apart, it is bonds from Germany and the other core countries whose economies are linked to it, such as Austria and Denmark, that are seen as the best bets, along with British and Swedish issues. A failure of the union would punish the currencies of many of the oncore countries, which might also be tempted to deal with their weak economies by inflationary spending programs.

Some analysts see little money in EMU, now that bond yields and foreign-exchange rates have narrowed so much.

"I don't expect a complete crash in the euro," said Kim Schoenholtz, chief economist for Salomon Brothers Inc., "but European currencies could fall a further 10 percent" against the dollar if there are hitches in implementing EMU.

"It's a very one-sided bet," said Roger Monson, a strategist at Daiwa Securities Co. Europe. "If everything works, you keep what you got; if it doesn't, you lose quite a bit. I wouldn't want to go to a roulette wheel with those odds."

Richard Davidson, Morgan Stanley's European strategist, thinks uncertainty will remain, even if EMU becomes a certainty. "It does not mean that Europe will necessarily live happily ever after; far from it," he warned. "The broad single-currency group that is forming carries many inherent risks to the viability of the system."

"Labor markets, savings rates, tax rates, levels of home ownership and interest-rate structures all remain substantially different," he added. "All of these will distort further the effects of a common European central bank interest-rate policy on different economies. Initially that distortion is likely to be felt through weakness of the euro, but eventually, given the protest vote that is already building in Europe, it could lead to a splintering of the system."

A Monetary Union Bond Strategy for Every Eventuality

Strong EMU. If you think the economic and monetary union will go ahead as planned, with members meeting the strict guidelines set by the Maastricht treaty, hny Spanish and Portuguese bonds, whose yields would fall toward those of German bunds,

will be loosened to allow the monetary union to go ahead for political reasons, opt for high-yielding Italian bonds.

No EMU. If the monetary union is canceled or postponed, there will be a flight to the quality of the Deutsche-mark bloc. German, Austrian and Danish

bonds would benefit, and economists also suggested British gilts and Swedish government bonds.

Avoid EMU. If you do not need to be exposed to the core European bond markets, concentrate on British gilts and short-term U.S. Treasury securities or, if you can accept increased risk, look at equities instead.

A Lonely Pursuit: Hard-Core Value

TWENTY YEARS ago, Bob Olstein made his name on Wall Street as co-author of the Quality of Earnings Report, a newsletter that tore apart income statements and balance sheets to get the real information on a company's performance. Today he runs a mutual fund.

The Olstein Financial Alert Fund is a hard-core value fund. Really hard-core. Mr. Olstein uses his QOER principles to hunt bargains, and his motto is "defense first." In recent weeks, he has been hnying such out-of-favor companies as Coachmen Industries Inc., a manufacturer of recreational vehicles that is 38 percent below its high of last year, and Seagate Technology Inc., the computer-disk-drive maker, which is off 34 percent.

For this period of stratospheric stock prices, Mr. Olstein's strategy may be exactly right. Unappreciated companies have a shorter distance to fall in a correction or crash. Academic research shows, in the words of John Campbell, professor of economics at Harvard, that "the average excess returns on value stocks — stocks whose prices are low relative to their book values, earnings or dividends — are even higher than the average excess returns on stocks in general."

Lately, however, value investing has been a tough path to follow. Mutual funds that buy growth stocks have been racing ahead, their managers profiting from "momentum" investing — hitching a ride on a fast-moving train and then jumping off as it slows down. This is an extremely risky business, but it has paid off.

Also, at these altitudes on the Dow Jones industrial average, it is tough to find bargains, so Mr. Olstein's fund has about one-fourth of its assets in cash. Still, he has produced a remarkable return of 34 percent over the past 12 months, compared with 42 percent for Vanguard Index 500, the popular fund that mimics the market, and 32 percent for Fidelity's huge Magellan fund.

I am not necessarily touting Mr. Olstein's fund as an investment. What is more interesting is to look at what he

is hnying and why.

Take Coachmen. "Here's a stock," he said, "which has disappointed investors with earnings that are below estimates. Those are a joke — earnings estimates — but they affect the price of a stock. Anyway, it was knocked down from \$28 to \$15, so we started buying."

Coachmen trades at a price-to-earnings ratio of just 10, or about half the P/E of the average stock. But Mr. Olstein uses a more sophisticated method of analysis. He decides, by probing income statements, what Coachmen would be worth to a single private buyer. (He does the same with all the stocks he researches, including General Motors Corp., another favorite that he has been buying.)

"Our value for Coachmen," he

"You take the firm's earnings," Mr. Olstein explained, "and add back depreciation. Then from that total, you subtract the company's capital expenses and its need for working capital. What's left is excess cash flow."

In concentrating on this figure, Mr. Olstein is in good company. Another fan of excess cash flow is Warren Buffett, America's second-richest man and the chairman of Berkshire Hathaway Inc., the wildly successful company that buys huge chunks of other companies.

In a public corporation, Mr. Olstein said, excess cash flow goes to do things that directly benefit shareholders: "raising the dividend, buying back stock, buying other companies."

Also, he said, the money provides insurance. "If you have this cash and problems come up, you don't need to adopt short-term measures that get you through."

Also, companies with excess cash flow tend to get acquired by other companies at a premium. Bowne & Co., the oldest and largest financial printer in the country, is a good example of a firm with strong excess cash flow that was hit by bearish sentiment last year. "We bought it at \$19 to \$20 a share. It's now \$31, but we think it's worth \$37 or \$38," Mr. Olstein said. It trades at a P/E of 9.

He's also enthusiastic about CIM, which is creating more and more cash flow by cutting expenses. He pegs its private market value at \$75 to \$80 a share. It's now \$56.

Then there's Seagate, an excellent company that suffered excess inventories and fell short of analysts' earnings estimates. "We don't care about the next two quarters," said Mr. Olstein, who is willing to wait three to five years for value stocks to pay off. Seagate, another firm that should be generating hefty excess cash flow, is now trading at \$37 (and a P/E of 14), an attractive price, said Mr. Olstein, who pegs its true value at \$56 to \$60.

Washington Post Service

FOR INFORMATION about the Olstein Financial Alert Fund, call 1-800-744-7566, or in the United States, 1-800-799-2113.

Interest Rates Interbank offered rate, in percent

	1 month	3 months	6 months		1 month	3 months	6 months
Australia	5.2450	5.1725	5.11	New Zealand	7.680	7.680	7.265
Britain	6.25	6.125	7.125	Philippines	24.3125	24.3125	17.6875
Hong Kong	5.99219	5.99219	6.25781	Singapore	2.9375	2.9375	3.25
Indonesia	13.4048	13.4048	14.4762	Malaysia	15.8	15.8	9.5
Japan	0.54	0.54	0.88	Thailand	18.0	18.0	17.5
Germany	7.25	7.25	7.80	U.S.	5.5	5.5	5.6875

Source: Bloomberg

International Herald Tribune

In Asia, an Infrastructure 'Frenzy'

By Philip Segal

IT WOULD BE hard to find a younger, greener market open to mutual fund investors than emerging Asian bonds outside of Japan. While possibly causing jitters in investors who have low tolerance for experimentation, there are high gains to be had when an illiquid investment eventually catches fire and goes mass market.

RCP & Partners, a Hong Kong investment management consultancy, has just issued a report noting Asia's acute need for infrastructure financing, by some estimates as much as \$1 trillion in the next decade.

"This type of infrastructure frenzy brings to mind the building of railroads and canals in America during the last century," the report said, adding that bank borrowing and stock issuance in Asia were "stretched to the limit."

That may be an exaggeration, but as mostly Latin American Brady bonds from the last decade are increasingly retired, fund managers with as much as three quarters of their emerging-market bond funds invested in these issues — named for Nicholas Brady, the former U.S. Treasury secretary who suggested using bonds to help resolve the debts of developing countries — will need to replace this paper with other high-yielding debt.

For that, they will have to pay more attention to Asia, where, unlike throughout the rest of the world, stock markets are still substantially bigger

than bond markets.

The upside for investors is obvious. An investment in the bonds of a country about to get a credit upgrade can reap high rewards, as interest rates on that country's bonds fall and bond prices rise. Combined with higher bond prices that come from greater demand, the possibilities are enhanced.

"If you get it right, you can make a helluva lot of money," said Donald Last, who runs the Hong Kong office of MCM Asia Pacific Co., which monitors the region's credit markets.

Yet for such a potentially rewarding market, there are the high risks that always accompany high rewards: Unlike stock investors, bondholders who have debt denominated in local currency take the full brunt of a devaluation.

In Asia, these are turbulent times for several currencies.

LOOK no further than this month's almost 20 percent fall against the dollar of the Thai baht, which came after the government failed to regulate runaway credit growth in the property sector at the same time as it was suffering a slump in electronics exports.

Faced with an eventual shortage of reserves to defend its fixed currency, Thailand let the baht float for the first time in more than a decade.

The result was that holders of baht-denominated Thai debt were out of luck, whereas the stock market rose 27 per-

cent in three days in baht terms after the devaluation. Stockholders with shares in companies earning money in foreign currencies did even better.

Such risks attached to bonds are why, for the moment, most emerging-market debt funds investing in Asia stick to dollar-denominated paper. When shopping around for a mutual fund, always ask not only in which countries the fund has invested, but in which currencies.

Only this week, the Philippines raised short-term interest rates to 30 percent to defend the dollar-pegged exchange rate of its currency, the peso.

Other than high interest rates, there is still a case to be made for holding local-currency bonds, rare as they often are around the region.

"Local-currency returns are negatively correlated with U.S.-dollar returns," said Greg Newman, managing director at Scudder Stevens & Clark Asia Ltd. in Hong Kong. "There's a powerful diversification argument."

If investors end up selling some of their regional holdings because of currency risk, the beneficiaries could be Hong Kong and China, which have strong trade balances and mountains of foreign-exchange reserves to fight off currency speculators.

Bonds issued by China, which saw its credit rating upgraded in May by Standard & Poor's Corp., have been so popular that they have been trading more

Continued on Page 19

July 11, 1997

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THE MONEY REPORT

Japan's Convertible Bonds on the Rise

By Miki Tanikawa

INVESTORS SEARCHING for high returns with a cushion of safety often land in convertible bonds. Combining some of the protective elements of fixed-income securities with the dynamism of stocks, convertibles are particularly attractive on the Tokyo Stock Exchange, where nearly a third of the listed companies offer one or more of these hybrid investments.

The Japanese convertible market rallied in the first half of the current fiscal year. The CB-Quick index of more than 1,000 convertibles traded on the Tokyo exchange bottomed at 491.49 on Jan. 13, then advanced to 516.35 on June 30. It has since slipped to 515.25, but is still 4.30 percent higher for the year.

The rise was "a reaction to last year's market condition, when massive issuance has brought convertible prices down to the straight value" of a bond, said Tetsuo Miyazaki, group manager at the equity division at Kankaku Securities Co.

"Then, he added, 'the market began to rediscover the option value of the convertibles.' Convertibles begin their lives as bonds, but they can be exchanged under specified conditions for a fixed amount of shares in the company that issued them. The exchange option is generally priced so that it becomes profitable to exercise it if the company's stock has a healthy rise before the bond matures. Because investors have this exchange option, the interest rate paid on convertibles is usually below that of traditional bonds.

In a falling market, however, bondholders may exercise their option to redeem the bonds rather than convert them to stock. When the market slumped in Japan in the early 1990s, for example, many issuing companies were forced to pay off their convertibles. In 1993, the redemption of equity-linked corporate bonds totaled an estimated 9

trillion yen.

Lately, the securities have been regaining popularity as the Nikkei has advanced this year. So far in 1997, 11 billion yen of convertibles have been floated.

Mr. Miyazaki and other traders said domestic investors taking profits from foreign bonds have been shifting resources to the convertibles market. Foreign institutional buyers have also made major contributions to the expanding trade volume in convertibles, where their dominant strategy has been to exploit arbitrage profits from the price gap between convertible bonds and their underlying equity and a technique called delta hedge, analysts said.

Individual investors ought not to be tempted by relatively high-yielding convertibles, which stand to suffer as Japanese economic growth improves, analysts said. Instead, they advised looking for convertibles issued by companies whose stocks seem likely to appreciate and then searching for those issues trading near face value.

Nissbo Iwai Corp., a trading company expected to have record earnings for the year ending March 1998, according to Yamaichi Research Institute, is currently priced at 102.4 percent of face value. Convertible at 551 yen (\$4.80), the issue has seen its underlying shares rise from a low of 376 yen April 11 to a recent high of 525 on July 9.

Kawasaki Heavy Industries Ltd. has a series of convertible issues numbered 6 through 9 that trade in the neighborhood of 99 yen. The diversified heavy-machinery maker just posted record earnings for the year ended March and is expected to retain that momentum for the coming year, said Mr. Miyazaki of Kankaku Securities.

Toppin Printing, at 101.3, is another near-par brand underpinned by a solid equity, according to analysts. The issuer is a high-tech printing company projected to rewrite its record profits every year until 1999, Yamaichi forecasts.

Midori Shimizu, deputy general manager at the equity division at Ya-

maichi Securities Co. proposed a bullish strategy that makes the most of the hybrid nature of convertible bonds: buying issues whose issuers have the potential for rapid growth but also for surprise losses. Ms. Shimizu said that some of the issuers in the over-the-counter market, which otherwise would be too volatile for many investors, fit this strategy well.

Among companies to look at is Riso Kagaku Corp., which makes copying machines. It has a convertible with a coupon interest rate of 1.5 percent, 11 years to maturity, and is priced at 97.5 yen. The company is expected to post record profits for the ninth consecutive year, according to Yamaichi's projections.

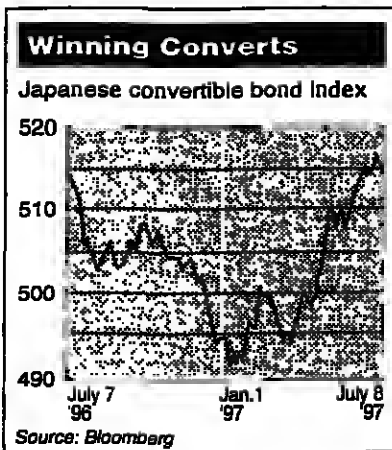
THK Co. is a maker of semiconductor-manufacturing equipment and is projected to post an 80 percent profit increase for the current year. Yamaichi reported, its third convertible trades for 94 yen with a coupon rate of 0.3 percent, and matures in just over six years.

For those who do not mind convertibles whose prices already have advanced by 15 percent to 30 percent, Mr. Miyazaki at Kankaku Securities suggested looking at internationally oriented blue-chip companies. This category includes Sony Corp.'s fourth convertible, Hitachi Ltd.'s fifth issue, NEC Corp.'s No. 10, and Sumitomo Electric Industries Ltd.'s sixth.

The beauty of owning these near-stock equivalents, said Mr. Miyazaki, is that while providing a solid floor in the event of an unexpected downturn, these convertible obligations, as fixed-income instruments, offer relatively attractive coupon rates that easily outdividend collected from equivalent shares. Sony's No. 4, for example, has a coupon rate of 1.4 percent, while the comparable stock yields a paltry 0.51 percent.

Although analysts were generally bullish on convertibles, many warned of a possible market correction immediately ahead, although they said this would be followed by a rally later this year.

Ms. Shimizu of Yamaichi said that investors with the right convertibles need not worry about a slump. She said the market was losing its tendency to



move as a uniform mass, with companies in the technology sector, for example, offering brighter prospects than those in the wobbly construction industry.

Yukuo Kobayashi, general manager of Universal Investment Trust Management Co., who runs a convertible fund, agreed. He said it was his selection of winning convertibles that placed his fund ahead of all of its similar competitors over the past two years, with a 31.5 percent return to investors during the period.

Even investors who are not now impressed with the range of Japanese convertibles available might want to keep an eye on the market.

Takeshi Kurosawa, vice president of the portfolio strategy group at Salomon Brothers Asia Ltd., said that at a time when blue-chip exporters faced the uncertainties of an appreciating yen, he would advise a fund manager to sell Sony shares and use the proceeds to buy the company's convertibles.

Mr. Kobayashi of Universal Investment Trust has a handy piece of advice that he often gives to an individual equity investor: If you find a stock that intrigues you, check to see whether the share has a convertible equivalent or not, and then opt for the equity-linked bond if the price happens to be in a favorable range.

"With the convertible available as an alternative," he added, "One can relish the excitement of the equity investment without hearing a major depreciation risk."

When Universities Issue Debt, the Profit Is Yours

Opportunities in Higher Education Bonds

By Aline Sullivan

MOST INVESTORS associate colleges and universities with debt — their own. But increasing numbers of institutions are issuing bonds to help combat soaring educational costs, and some of the top schools offer the best investment opportunities.

Most of this activity has been confined to the United States, where many campuses have a long track record of issuing debt. But universities in Europe and Asia may soon join their ranks, analysts said. State cutbacks have hurt all but the best-endowed institutions, while students are unwilling or unable to pay higher tuition bills. For many universities, bonds may be the answer.

In Britain, for example, total long-term liabilities of higher-education institutions are expected to rise to £2 billion (\$3.36 billion) this year, up from £1.2 billion in the 1992-93 academic year, according to the National Audit Office. Forty-six of the country's 144 universities and colleges will borrow more than £10 million this year, including five universities that will borrow more than £50 million each.

Even in Sweden, where education has traditionally received unstinting support from the state, some institutions are achieving growth through private capital. Last month, Chalmers University in Gothenburg signed sponsorship contracts with several leading Swedish companies and investors. University officials forecast that private finance should account for 20 percent of its research and doctrine funding within a few years.

Private investors in countries where the state continues to finance the bulk of higher-education costs can best gain exposure to the sector through debt issued by companies that provide student accommodation. Sweden's Statliga Akademiska Hus AB, which is rated AA by Standard & Poor's Corp., is an example of a company likely to benefit from rising student enrollment figures.

Investors in the United States should concentrate on the top-rated college and university bonds, analysts said. Moody's Investors Service rates 800 of the 2,100 U.S. colleges and universities. But many are recent additions, including some with borderline credit characteristics.

Moody's divides schools into four sectors based on whether they are public or private, and on wealth, revenue diversity and geographic base of students. The four sectors are: flagship and land-grant universities and university systems in the public sector; regional public universities; selective, wealthy private colleges

and universities; and tuition-driven, regional private colleges and universities.

The flagship group has the most positive outlook, said Susan Fitzgerald, vice president, senior analyst at Moody's in New York. Most of its debt is rated A1 or higher, meaning it is considered at least upper-medium grade, partly because it is the most likely to benefit from improving demographics in the college-age population. Particularly strong growth is expected in the West and Southeast United States, which has many of these institutions.

Low tuition bills are another plus for the big colleges and universities. Examples in this sector include the University of Michigan (rated a high-grade Aa1), the University of Virginia (Aa1) and the University of California.

Selective, wealthy private colleges and universities are also a good bet, analysts said. This group, which includes the Ivy League colleges, enjoys strong student demand, resulting in tuition-raising flexibility even though annual charges already range from \$20,000 to \$30,000. They also have significant endowments, usually more than \$100,000 per student, and well-regarded research programs.

But some of these top names also have a high exposure to the risky health-care environment, Moody's warned. For example, Georgetown University's A1 debt rating was recently placed under review following significantly higher-than-projected losses.

"Even institutions whose medical centers continue to perform well are exploring new alliances, mergers or divestiture to insure their schools from potential financial stress in this rapidly changing industry," Moody's said.

The regional public university sector is rated "stable" by Moody's. Most of the debt is assigned either A2, as for the University of North Alabama, or A3, as for Western Illinois University. This group tends to have powerful links to local employers and enjoys focused support from legislators servicing the area. But enrollment is vulnerable to regional economic conditions and demographics, while price flexibility is curtailed by limited reputation outside the community.

The biggest of the four segments identified by Moody's is the tuition-driven, regional private institutions group. This includes the vast majority of U.S. private colleges and universities. Not surprisingly, the outlook for its debt is "mixed," according to Ms. Fitzgerald.

"While we believe some institutions will have stable-to-improving credit positions in the coming years, others may experience significant financial and enrollment difficulties," she said.

BRIEFCASE

3 Exchanges Plan Europe-Wide Indexes

The French, German and Swiss stock exchanges are planning a new family of Europe-wide stock indexes aimed at meeting the needs of internationally active investors.

The indexes are to be introduced by the Deutsche Boerse AG, the Paris Bourse and the Swiss Stock Exchange — by the end of January.

"More investment decisions tend to be made on the basis of cross-border, pan-European sectoral analysis than on country-by-country criteria, and this trend will be reinforced by the introduction of a European single currency," the exchanges said.

There will be four indexes: a narrow and a broad index for all European countries, and a similar pair for countries in the single-currency zone.

They will serve as benchmarks for assessing the performance of assets under management, but also as an underlying instrument for futures and options contracts, the exchanges said.

(AFX)

In South Africa, Fidelity Starts Offshore Portfolios

Fidelity Investments has wasted little time in looking for clients in South Africa since the government's relaxation of foreign-exchange controls took effect this week. The world's largest fund provider introduced a managed-portfolio service for internationally oriented South Africans that will be sold through Standard Bank Fund Management, a local institution.

The service, called PortfolioBuilder Offshore, comes in three versions, depending on the presumed risk of the assets each portfolio holds: aggressive, which intends to remain 100 percent in equities; balanced, with 60 percent in equities and the rest in bonds, and conservative, which will keep only 10 percent in equities, 70 percent in bonds and the rest in cash equivalents.

The allocations will be achieved by dividing the portfolios among a dozen Fidelity offshore funds investing in global markets. To help clients choose a portfolio, Fidelity provides a questionnaire aimed at assessing relative comfort with risk.

South African clients will immediately get a feel for global fund investing when they study the program's charging

structure. The initial charge is 5.25 percent for investments from the minimum \$50,000 rand to 200,000 rand (\$10,900 to \$43,955) and 4.25 percent for larger investments. Through July 21, there is a one-percentage-point discount. There is also a 0.8 percent annual fee for the portfolio-management service, plus annual fees ranging from 0.5 percent to 1.5 percent for the individual funds. (IHT)

FOR MORE INFORMATION call Standard Bank in South Africa at 21 41 60 000 or visit Fidelity's Web site at www.fidelity.com/usa

For Japanese Investors, A Shot at Stock Options

Japanese traders are to get their first chance to trade domestic stock options next Friday, a development that might awaken flagging interest among small investors.

The Tokyo Stock Exchange and its counterpart in Osaka will each list equity options on 20 different stocks, seven of which will be listed on both bourses. Options will be available for such well-known companies as Sony Corp., Toyota Motor Corp., Nintendo Co., Nippon Telegraph & Telephone Corp. and Bank of Tokyo-Mitsubishi.

While the option coverage may seem limited, these 33 stocks account for approximately 30 percent of Japan's market capitalization.

Options trading "will provide good opportunities for fund managers," said Mark O'Friel, managing director of Japanese equity at Morgan Stanley Japan Ltd.

Options contracts give their holders the right but not the obligation to buy or sell an underlying asset at a specified price on a specified date. Investors can use them to hedge their positions or increase their returns.

Hideyuki Sawada, an analyst at Yamaichi Research Institute, said studies had shown that introduction of equity options generally reduced the market volatility.

While Japan has been tardy in its efforts to liberalize its equity derivatives market, Hidenori Nakai, a dealer at Nomura Securities Co., said, "Lifting of single options pretty much fills the 'missing pieces.'"

"What we are left to see now is listing of options in the over-the-counter market," he added. He and others in the securities business reckoned that op-

tions for the OTC market would be lifted sometime next year.

Mr. Nakai said individual options would prove useful to individual investors with modest portfolios. He said that professional fund managers would prefer to use options linked to market indexes such as Nikkei 225 and TOPIX, which had been available since 1989, because they approximate their portfolio structures.

At a time when individuals' participation in the stock market has been thinning, Mr. Nakai said, "Single options may serve as a chance to lure individuals back to the market." (IHT)

Goldman Uses Ecu As Single-Market Gauge

Market expectations about Europe's planned single currency starting on schedule can be gauged by comparing the European currency unit's spot value against the value of the currencies in the Ecu basket, according to a new study by Goldman, Sachs & Co.

Under the transition plan for European monetary union, the basket Ecu — defined by a fixed weighting of 11 currencies — will convert into the euro at a rate of one for one and Ecu assets will be converted at a similar rate in euro assets.

"When the value of the Ecu declines relative to the basket Ecu, sentiment towards EMU is deteriorating and vice versa," said Martin Brookes, author of the report.

The study argues that if financial markets are absolutely confident that EMU will begin on time, the forward value of the Ecu for Jan. 1, 1999, should be equal to its basket value.

"The probability of EMU priced into markets can be calculated from the forward values of the Ecu and the basket Ecu," the study said.

Since the beginning of the year, the probability that EMU will happen as planned has averaged 75 percent, slipping to 60 percent after the French election at the beginning of June and then to just above 50 percent on June 10. During the second half of June the probability index rose and is now over 80 percent, the report said.

Goldman Sachs said it would publish the results of the index on a weekly basis so that investors can monitor changing sentiment toward EMU.

(Reuters)

Funds Reduce Holdings As Gold Stocks Slump

Mutual funds that invest in gold company stocks said they have been forced to reduce their holdings because of redemptions by investors concerned about gold's slump to 12-year lows.

Money managers said investors were increasingly ready to switch out of gold-mining funds as they lose confidence in gold as an investment following its decline of as much as 15 percent so far this year.

The redemptions have helped to drive down the prices of gold stocks in Australia, North America and South Africa in recent days. In New York, gold has fallen from as high as \$369 an ounce earlier this year to about \$322 on Friday.

"We weren't having many redemptions but in the last few days we have seen some bigger redemptions and we have started to sell," said Marcel Brigen, who runs a \$5 million Swiss franc (\$65.9 million) gold fund at SBC Brison in Basel. "We have been selling companies with high production costs and companies which have no hedging programs."

Gold's latest tumble followed the announcement by the Reserve Bank of Australia that it had sold 167 tons of the precious metal, or more than two-thirds of its gold reserves.

Other central banks sold gold in the past year or are considering sales, such as Belgium and the Netherlands.

Gold is historically used as a hedge against economic and political turmoil, acting as a safe haven in times of rising inflation, for example. With the outlook for inflation tame in many of the countries holding gold reserves, central banks in those countries are looking to maximize the returns on their gold assets by selling the metal and using the proceeds to invest in financial assets such as bonds, which offer greater returns.

"It is an extremely gloomy environment out there," said Graham French, a fund manager and director at M&G Investment Management in London. "It had reached despair stage, with people selling regardless."

Mining companies that have contracted to sell their future production at a specific price to protect against declining metals prices are in the strongest position to weather the storm.

(Bloomberg)

Deals in Emerging Asia

Continued from Page 17

like those of a country with a higher credit rating than China has, said Stephen Taran, senior vice president at Lehman Brothers Asia.

The Chinese government and banks are planning international bond sales of \$3.1 billion this year, more than six times what they issued in 1996.

Asia's other emerging giant, India, has a huge domestic bond market, but just one international bond so far, issued by Reliance Industries Ltd.

Albert Hofman, a bond analyst at ABN Amro Holding NV in Singapore, said last week after emerging from a meeting with officials from the Indian Finance Ministry that he expected a few more corporate issues by the end of the year.

For U.S. residents, there do not appear to be any funds investing substantially in Asian bonds. For those living elsewhere, the following funds may be of interest:

• INCOME PARTNERS OF ASIAN FUND is the grandfather of Asian bond funds. Invested in 1993. Based in Hong Kong, it has assets of \$400 million and its shares are up 34 percent over the last three years. It invests primarily in emerging Asian debt and now holds about 70 percent U.S.-dollar-denominated paper. Call 852 2869 0186 for more information.

• GUINNESS FLIGHT ASIAN CURRENCY & BOND FUND holds dollar-denominated debt in a variety of Asian countries. It has risen 32 percent in three years, but because of its 25 percent holdings of Australian and New Zealand debt it is included in "Global Fixed Income category" by Morningstar Ltd., the fund-tracking company. Call 852 2861 0881 for more information.

• JARDINE FLEMING ASIAN BOND FUND has been on offer to investors since February. At the end of May, the fund still held 42 percent of its portfolio in cash and 14.6 percent in U.S. bonds. Indonesian bonds made up 18 percent of holdings, and the Philippines 12.8 percent. Call 852 2868 3228 for more information.

• INVESTCO has a 19-year-old Asian Japan convertible bond fund, up 13 percent in the last year. With just \$6 million in the fund, it has stuck mostly to dollar-denominated Hong Kong paper, the region's most liquid market. Call 852 2868 3228 for more information.

Fund Managers Shop the World for Best Bonds

Continued from Page 17

"After the recent bond rally there, a lot of value is out of that market," he said. Australia and Canada top his list.

In Asia, regional debt funds are still few in number because there was little to buy until recently. Only the Philippines issued Brady bonds, and most Asian corporations have historically borrowed from banks.

To widen the choices in this narrow market, one of the oldest funds, the Guinness Flight Asian Currency & Debt Fund, started in late 1993, also includes Australia, Japan and New Zealand. Like Mr. Vernooij and Mr. Alley, Daniel Hemmant, the fund's manager, favors Australia and New Zealand. Currently, New Zealand represents the largest holding, 16 percent, in his portfolio.

"The fundamentals there are good right now, because inflation is controlled," Mr. Hemmant said. "Short-term interest rates were higher, but there is still a lot of scope to cut them because the

economy is slowing."

Although he can invest in local currency debt in the region's less developed markets, Mr. Hemmant prefers dollar-denominated bonds for now.

"With things like Thailand blowing up, it makes more sense to be defensive," he said, referring to the recent devaluation of the Thai baht. His fund owns dollar-denominated corporate debt in Indonesia, mostly in the country's big pulp and paper producers, such as five-year bonds yielding 9 percent in Indah Kiat Pulp & Paper Corp.

"It's one of the world's lowest-cost producers, and it has made a profit, even at the bottom of the industry cycle," he said.

Mr. Hemmant also owns dollar-denominated debt of the Korean Development Bank. Despite the country's political problems, he does not think they will have trouble paying it off. Meanwhile, he said, "You're quite well paid for holding double A/single A-rated, 10-year debt yielding 0.90 of a

percentage point over 10-year U.S. Treasuries."

He has also ventured into China, buying dollar-issued debt in Guangdong Enterprises Ltd., the development finance company owned by China's southern province, yielding a hefty 2.20 percentage points over comparable U.S. Treasuries.

While they offer attractive yields, the real value of such bonds is in their improving credit risk, he added, as issuers continue to produce good earnings, and foreign investors become more comfortable with them. Moody's Investors Service upgraded Guangdong Enterprises to an investment-grade Baa3 in May, citing the provincial government's vow to give the company "financial and other necessary support."

For further information, call:

• ASIAN AMRO EUROPE BOND FUND and ABN AMRO GLOBAL BOND FUND, 352 42 49 349 or 352 42 49 40 349.
• ADM INCOME FUND, 1 715 636 1919, or toll-free in the United States, 1 800 347-2246.
• GUINNESS FLIGHT ASIAN CURRENCY & BOND FUND, 84 461 71 217.

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WORLD ROUNDUP

Spaniards Dominate

TENNIS Wayne Ferreira was the only non-Spaniard to survive Friday in the Swiss Open in Gstaad.

Ferreira, the No. 8 seed, beat Marc Rosset of Switzerland, 7-5, 7-6 (12-10) to reach the semi-final alongside Alex Corretja, Juan Albert Viloca and Felix Mantilla.

Viloca, 24, beat Nicolas Kiefer of Germany, 6-4, 6-3. Corretja beat another Spaniard, Alberto Berasategui, 6-4, 6-0, while Mantilla also defeated a countryman, Javier Sanchez, 6-4, 6-3.

"They all play the same," said Ferreira, who plays Mantilla next. "Different face, same player, but he's very hard to beat."

Boris Becker has entered the upcoming U.S. Open tennis tournament, ending speculation that his recent Wimbledon appearance would be his last at a Grand Slam.

After Becker, 29, lost his quarter-final to Pete Sampras at Wimbledon, he said it was his last appearance at there. (Reuters)

UEFA Cup Final Halved

SOCCER Next season's UEFA Cup final will be settled in one game instead of the traditional two legs. Lennart Johansson, president of the governing body of European soccer, said Friday. (Reuters)

Bird Makes Bench Debut

BASKETBALL Larry Bird made his NBA coaching debut Thursday night as his Indiana Pacers beat the Atlanta Hawks, 88-75, in the Atlanta Summer Shootout, a mini-tournament of four NBA teams made up mostly of rookies.

In the other game, Cleveland beat the Boston Celtics, playing without Coach Rick Pitino, 85-75. Pitino was delayed in Boston by negotiations involving Dino Radja.

"I prepared my team pretty well," said Bird, who sat on the Pacers bench. "As a player, if I prepared myself, I had no worries. When you're not prepared, you get nervous."

The Hawks' coach, Lenny Wilkens, said bench coaching during a rookie game was unusual.

"I can't remember the last time somebody did it," he said. "Most coaches today have the experience. Larry hasn't had any, so it's probably good for him." (AP)

Warriors Hire St Jean

BASKETBALL Garry St. Jean, a former Golden State assistant coach and head coach of the Sacramento Kings for four and a half seasons until he was dismissed in March, was hired as the Warriors' general manager. (AP)

Who Owns the Islanders?

ICE HOCKEY Several meetings took place over an 11-hour period at NHL headquarters to determine who owns the New York Islanders.

Gary Bettman, the NHL commissioner, acted as an arbitrator between representatives of current owner John Spano and former owner John Pickett, who has charged Spano with missing payments, at the meetings. No decision was reached. (AP)

Anaheim Isn't Boston

ICE HOCKEY Ken Baumgartner, the former Anaheim Mighty Duck enforcer, discussing his recent move to the Boston Bruins: "In Anaheim, if you walked downtown with a black eye, chances are people were going to cross the street when they saw you coming. I don't think that will happen here." (LAT)

Two Riders Expelled
After Raucous StageAbdoudjaparov and Steels Go,
Zabel Stripped of Stage Victory

Compiled by Our Staff From Dispatches

MARENNES — Tom Steels and Djamolidine Abdoudjaparov were disqualified from the Tour de France on a day which also saw Erik Zabel stripped of victory after winning the Friday's sixth stage.

Evgeni Berzin, the leader of the Batik team, broke a collar bone and withdrew.

Steels, a Belgian with the Mapei team, was expelled for "violent behavior" after he threw his bottle at the Frenchman.

TOUR DE FRANCE

Frederic Moncassin, a Frenchman who rides for Gan, at the start of the final sprint.

Hours later, Djamolidine Abdoudjaparov, an Uzbek with the Lotto team, was disqualified for failing a drug test.

And Zabel, a German with the Telekom team, was relegated from first to last place in the 215.5 kilometer (134 mile) stage which ran from Le Blanc to the oyster port of Marennes in western France for "dangerous tactics."

The stage was awarded to Jeroen Blijlevens, a Dutchman with the TBM team. Cedric Vasseur, a Frenchman who rides for Gan kept the yellow jersey he won in a long breakaway the day before.

Abdoudjaparov, a former winner of the Tour points standings, was disqualified from the race for failing a test at the end of the second stage between St. Valery-en-Caux and Vire on Monday.

Organizers did not immediately say what substance had been found in the rider's urine, but his Lotto team director Jean-Luc Vandenbroucke said two banned products had been detected.

"It's my first doping case in nine years as a team director. This is very annoying especially as two products have been found," he said.

"We don't know where the first one comes from, but the second was given by a member of my staff, whom I sacked immediately."

"I cannot accept people acting behind my back."

Zabel, the winner of Tuesday's stage in Plumelec, appeared to have won the stage, surging through in the last 300 meters, but after studying the finish on video the organizers decided Zabel was

guilty of "irregular sprinting."

Telekom manager Rudy Pevnec said his team had appealed against the decision.

"We're very surprised by this decision because our rider was alone in the last 250 meters and stayed in line throughout the sprint," he said.

Mapei appealed against Steels' disqualification which followed an incident at the finish when he threw his water bottle at the Frenchman.

The judgment against Zabel at first lifted Abdoudjaparov from third to second place before it was announced he had been disqualified.

Vasseur, winner of Thursday's stage after the only successful breakaway of this Tour, retained the overall leader's yellow jersey but also had a big scare as crashes again marred the race.

He was held up in the second pile-up of the day but managed to catch the leading bunch with the help of his team mates.

"It was a little fright," the GAN rider said.

"To ride with the yellow jersey on your back is even more exciting than winning it," he said.

"I did not ride a mile without hearing people shout my name. I will never forget it. It was wonderful."

The strong wind on the Atlantic coastline of western France may explain the falls, which spared hardly anyone.

Berzin, winner of the Giro in 1995 and who wore the yellow jersey for a while last year, was involved in one of the crashes.

Berzin remounted and arrived in 16th position, but X-rays confirmed the fracture and Berzin advised officials of his decision.

He was the third favorite to quit with the same injury after Swiss riders Alex Zülle and Tony Rominger were injured earlier this week.

On Saturday the Tour will reach Bordeaux for a record 75th time. Sprinters have generally won in the famous wine city.

The route had to take a detour when a group of protesters against nuclear waste passing through their area blocked the road. Organizers diverted the riders at the 77th kilometer (48th mile) to go around the demonstration before getting back on the main route.



SHADOW BOXING — The Iraqi boxing team training in the desert after its bus broke down on the way to Lebanon. The boxers were heading for the Arab Games even though the Lebanese had refused to issue visas to the Iraqi delegation after Kuwait and Saudi Arabia threatened to boycott the Games.

Sorenstam's Bid Is Looking Bleak

By Bill Pennington

New York Times Service

NORTH PLAINS, Oregon — Annika Sorenstam's quest for a historic third consecutive United States Women's Open championship began in the chill of early morning beneath a dark sky and a steady rain — a setting that the stoic Sorenstam greeted dressed in black.

And then things got really bleak. In less than two hours, Sorenstam was at 5 over par, a nine-hole odyssey that included a three-putt from six feet and a

U.S. WOMEN'S OPEN GOLF

swipe in knee-high grass that advanced her ball three inches. For the two-time defending champion, the moment of complete disintegration came at the 388-yard (353-meter) par-4 ninth hole, where she recorded a triple bogey 7.

"I was so confused," Sorenstam said, describing her mood at the halfway mark of the first round Thursday. "I said: 'How do I get out of this? Take me away from here.'"

Instead, Sorenstam plodded on, adding another bogey to finish with a 77 at the Pumpkin Ridge Golf Club. She is nine strokes behind the first-round leaders, Susie Redman, Kelly Robbins and Deb Richard, and at 6 over par, Sorenstam risked missing the cut after the second round Friday.

Despite her struggles, Sorenstam was remarkably buoyant afterward, describing her troubles with self-deprecating humor. Before departing, however, she added: "I haven't given up at all. I know how to play the course. I'm not going to leave here until I beat it."

Sorenstam did not say whether that might mean remaining in Oregon after the weekend. Sorenstam is attempting to become the first woman to win three successive U.S. Opens. In 1995, Willie Anderson won the last of his three consecutive U.S. Opens, and no man has duplicated the feat since then.

Five women have won back-to-back U.S. championships but failed in their "three-peat" attempts. So Sorenstam's task — already difficult — just got harder. She will have to vault the vast majority of the field, including her sister Charlotta. Charlotta labored with her game Thursday but managed to better her older sister by one stroke.

"It was one of those days when you don't know what's happening," Annika Sorenstam said. Asked whether all the attention that surrounded the defense of her title had affected her game, she said: "It must have. What else do you say when you are five over par after nine holes? I cannot remember the last time I had that score after nine holes."

On the ninth hole, Sorenstam drove into a fairway bunker, then sliced a 9-

wood into the deep rough on the right side of the hole. A spectator in the gallery had to help her find her ball after she and her caddy failed to locate it in four minutes of searching.

Sorenstam's first swing at the ball with a sand wedge moved it three inches. A second swing advanced it to the green's fringe. From there, she three-putted.

Sorenstam's adventurous round overshadowed a brilliant day of golf by Redman, a 13-year veteran of the Ladies Professional Golf Association, who came up with a hole-in-one on the 157-yard 15th hole.

"I've never had a hole-in-one before," Redman said afterward, "and my first thought was, 'Wow, that makes the rest of this hole really easy for me.'"

Two years ago, coming off the golf course during a tournament, Redman was told that her youngest child, Jessie, who was then 5 months old, had cancer.

"They told me he would die in a few days," Redman said. "He had a golf-ball-sized tumor pressing on his windpipe. But four months later, he had surgery to remove the tumor. He's in remission now. He's fine. It'll never come back. But it's something that changed my life forever. I walk around the golf course with a smile now, no matter what happens. I smile with a bogey, or a double bogey, or a hole-in-one."

Lehman Leads British Open Warm-Up

Reuters

LUSS, Scotland — Tom Lehman continued his superb buildup to next week's defense of his British Open title shooting a four-under-par 67 in the third round Friday to lead the Loch Lomond World Invitational by two strokes.

Overall, Lehman is 15-under on 198. Second is Pierre Fulke of Sweden, who followed the completion of his weather-delayed second round of seven-under-par 64 early Friday with a round of 66 while playing with Lehman and the 1996 U.S. Open champion, Steve Jones.

Although he bogeyed the last hole for the second time on the day, he finished two ahead of Jones, who compiled a 68 to hold third place at 202.

Ernie Els, the U.S. Open champion, was fourth on 204 after a 65. Greg Norman bogeyed the last hole to fall back into a share of fifth place with the Englishman Paul Curry. Both are at 205.

Fulke, who had a hole in one in the opening round, said he was surprised to be playing so well. He placed 23d on the 1994 European Tour money list, but after he finished third in the French Open in 1995 his game fell apart. He slipped to 84th on the money list that year and 93d last year. This season he has a new caddy.

"I haven't had much luck with coaches, maybe because I'm not a technical sort of player," he said. "So I'm using a new caddy, and we have discussed a few things which seem to have helped."



Steve Jones watching his tee shot on the third hole in the Loch Lomond Invitational's third round Friday.

PEDALING
FOR GLORY

International Herald Tribune editor Samuel Abt has been writing about bicycle racing for two decades. In his new book, he covers the 1996 pro bicycle racing season — one of the most dramatic in history. From the ice and snow of the early races in March to the sweltering heat at the Summer Olympics, the book follows the races and the racers in what Greg LeMond once described as the toughest job in the world.

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SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE

EAST DIVISION

Team	W	L	Pct.	GB
Baltimore	50	31	.617	0
New York	47	37	.560	6
Detroit	41	47	.463	14
Toronto	40	48	.452	15
Boston	39	49	.442	17

CENTRAL DIVISION

Team	W	L	Pct.	GB
Cleveland	44	37	.543	0
Chicago	44	42	.512	2
Minnesota	39	47	.452	8
Atlanta	36	47	.434	9

WEST DIVISION

Team	W	L	Pct.	GB
Seattle	50	31	.617	0
Anaheim	45	42	.519	4
Texas	43	43	.500	6
Oakland	31	53	.369	17

NATIONAL LEAGUE

EAST DIVISION

Team	W	L	Pct.	GB
Atlanta	50	31	.617	0
Florida	49	38	.564	1
New York	48	39	.554	2
Milwaukee	47	39	.547	3
Philadelphia	44	42	.512	6

CENTRAL DIVISION

Team	W	L	Pct.	GB
Houston	44	44	.500	0
Pittsburgh	42	44	.488	2
St. Louis	42	45	.483	3
Cincinnati	38	48	.442	6
Chicago	37	50	.429	7

WEST DIVISION

Team	W	L	Pct.	GB
San Francisco	46	42	.520	0
Los Angeles	44	42	.512	1
Colorado	43	46	.483	3
San Diego	39	49	.442	6

THURSDAY'S LINESCORES

AMERICAN LEAGUE

Team	W	L	Pct.	GB
Atlanta	601	022	000	12 0
Oakland	100	000	000	4 0

NATIONAL LEAGUE

Team	W	L	Pct.	GB
Atlanta	001	000	000	12 0
Oakland	100	000	000	4 0

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE

EAST DIVISION

Team	W	L	Pct.	GB
Baltimore	50	31	.617	0
New York	47	37	.560	6
Detroit	41	47	.463	14
Toronto	40	48	.452	15
Boston	39	49	.442	17

CENTRAL DIVISION

Team	W	L	Pct.	GB
Cleveland	44	37	.543	0
Chicago	44	42	.512	2
Minnesota	39	47	.452	8
Atlanta	36	47	.434	9

WEST DIVISION

Team	W	L	Pct.	GB
Seattle	50	31	.617	0
Anaheim	45	42	.519	4
Texas	43	43	.500	6
Oakland	31	53	.369	17

NATIONAL LEAGUE

EAST DIVISION

Team	W	L	Pct.	GB
Atlanta	50	31	.617	0
Florida	49	38	.564	1
New York	48	39	.554	2
Milwaukee	47	39	.547	3
Philadelphia	44	42	.512	6

CENTRAL DIVISION

Team	W	L	Pct.	GB
Houston	44	44	.500	0
Pittsburgh	42	44	.488	2
St. Louis	42	45	.483	3
Cincinnati	38	48	.442	6
Chicago	37	50	.429	7

WEST DIVISION

Team	W	L	Pct.	GB
San Francisco	46	42	.520	0
Los Angeles	44	42	.512	1
Colorado	43	46	.483	3
San Diego	39	49	.442	6

THURSDAY'S LINESCORES

AMERICAN LEAGUE

Team	W	L	Pct.	GB
Atlanta	601	022	000	12 0
Oakland	100	000	000	4 0

NATIONAL LEAGUE

Team	W	L	Pct.	GB
Atlanta	001	000	000	12 0
Oakland	100	000	000	4 0

JAPANESE LEAGUES

CENTRAL LEAGUE

Team	W	L	Pct.	GB
Yokohama	41	27	.603	0
Hiroshima	36	34	.514	5
Fukuoka	35	38	.479	11.5
Yokohama	33	36	.476	11.5
Korinchi	34	38	.474	11.0
Yokohama	32	42	.435	15.0

PACIFIC LEAGUE

Team	W	L	Pct.	GB
Osaka	40	26	.606	0
Seibu	39	27	.590	1
Deiwa	40	34	.540	4.0
Nippon Ham	36	38	.486	8.5
Korinchi	30	41	.423	13.0
Yokohama	28	41	.406	13.5

VENEZUELA'S LEAGUES

CENTRAL LEAGUE

Team	W	L	Pct.	GB
Chiriqui	41	27	.603	0
Hiroshima	36	34	.514	5
Fukuoka	35	38	.479	11.5
Yokohama	33	36	.476	11.5
Korinchi	34	38	.474	11.0
Yokohama	32	42	.435	15.0

PACIFIC LEAGUE

Team	W	L	Pct.	GB
Osaka	40	26	.606	0
Seibu	39	27	.590	1
Deiwa	40	34	.540	4.0
Nippon Ham	36	38	.486	8.5
Korinchi	30	41	.423	13.0
Yokohama	28	41	.406	13.5

TENNIS

SPORTS

An Impressive Debut for Irabu

He Stymies Tigers and Gets a Standing 'O' From Yankee Fans

By Rachel Alexander
Washington Post Service

NEW YORK — It was after the second inning, when the New York Yankees right-hander Hideki Irabu had struck out four of the first six Detroit Tigers at Yankee Stadium, that it became clear the 28-year-old Japanese rookie had done the near impossible: He had managed to live up to six months of New York hype.

"This was more than what I dreamed of," Irabu, who speaks little English, said through an interpreter. "I wouldn't sell the feeling I have tonight for anything."

He wasn't perfect, but Irabu, who was credited with the win in the Yankees' 10-3 victory Thursday, struck out nine in six-and-two-thirds innings, allowing five hits, four walks and two runs. Sixty-one of his 98 pitches were strikes. He showed off his fastball. He showed off his splitter, which can travel almost as fast and looks even more deadly. He showed off his temper, kicking at the ground when he faltered momentarily in the third inning, but mostly he showed off his nerve. Twice, in the third and the fifth innings, he pitched himself out of serious trouble, and both times his new teammates followed with rich run support.

His truest display of fortitude may have been just walking to the mound.

"I've never seen this type of pressure on a Yankee in 25 years," George Steinbrenner, the team's owner, said before the game. "And we have had some pretty good ones here — Reggie Jackson, Catfish Hunter. But nothing like this."

Steinbrenner never has been the master of understatement, but that declaration seemed somewhat minor in the fog of hype that blanketed Irabu's arrival.

On Wednesday, Mayor Rudolph Giuliani held court for Irabu on the steps of City Hall, presenting him with a crystal apple from Tiffany's.

On Thursday morning, the New York newspapers weighed in, with the Daily News and Newsday announcing "Here's Hideki," and the New York Post proclaiming him the "Bronx Bonzai."

The 6-foot-3 (187-centimeter), 230-pound (105-kilo) hurler drew a crowd of 51,901, about a third of whom left as soon as Irabu trotted from the mound with two outs and none on in the seventh.

"It was tough to say this is just another ball game," Joe Torre, the manager, said beforehand. At no other ball game, for instance, do fans drape "sunsun" cards — the Japanese word for strikeout — over the stands each time a pitcher fans a batter. "When I talked to him before the game, the only thing I tried to get across was that it's baseball, so try to enjoy himself, and that we're on his side."

Torre and the Yankees have been

eyeing Irabu for more than six months, although major league baseball's interest in the Japanese Pacific League's strikeout and earned run average leader had been building for three years. In January, the San Diego Padres were awarded Irabu's rights, but the pitcher said he wanted to play for the Yankees.

On April 22, the Yankees sent the Padres a highly regarded outfield prospect, Ruben Rivera, a minor league pitcher, Rafael Medina, and \$3 million for Irabu and three minor leaguers.

Then the hoopla really began. Irabu, who signed a four-year, \$12.8 million contract, played six games in the Yankees' farm system, mostly impressing but occasionally stumbling. He had a 3-1 record and a 3.88 ERA with 34 strikeouts in 31 innings. He allowed only one walk, but he racked up six balks, and runners found it easy to steal.

On Thursday, thanks to some work by the Yankees' pitching guru, Billy Connor, the balks disappeared, and the Tigers managed just one steal.

Torre took Irabu out in the seventh inning. "I did that so the fans could show their appreciation," Torre said.

The fans gave Irabu a standing ovation as he left the field, and the owest Yankee accepted high-fives from his teammates before stepping back out of the dugout to salute the crowd with a wave of his cap.



Hideki Irabu pitching during his major league debut at Yankee Stadium.

Astros' Kile In All-Star Form as He Tops Pirates

The Associated Press

Darryl Kile saved his All-Star performance for the Pittsburgh Pirates.

The Houston ace, a spectator at the All-Star Game on Tuesday night in Cleveland, limited Pittsburgh to six hits in his third shutout of the season as the Astros routed the Pirates 7-0 on Thursday night.

"It's a big series for both teams," said Kile, who pushed Houston into a

NL Roundup

first-place tie with Pittsburgh in the National League Central as Houston ended Pittsburgh's seven-game winning streak.

"This was kind of a little exclamation point on top of making the All-Star game," said Larry Dierker, the Houston manager. "He didn't get to pitch, but he showed why he was picked."

"He's probably the best in the league right now," Pirates manager Gene Lamont said. "He used to bounce quite a few curveballs up to the plate, but he can throw it for strikes now whenever he wants to."

"When he's on, he's as nasty as any pitcher in the league," Pittsburgh's Al Martin said. "His curveball is so nasty, and he throws it so hard you can't even see the seams on the ball sometimes."

Kile also had a run-scoring single during a two-run second inning that made it 3-0.

"It broke my bat and pretty much shattered my thumb. It was one of those lucky breaks," said Kile, a .106 lifetime hitter.

All-Star first baseman Craig Biggio was 4-for-4, including doubles in each of the first two innings.

Mets 10, Braves 7 Manny Alexander, returning to New York's lineup after knee surgery, tripled home the winning run in the ninth inning and homered and singled to lead the visiting Mets past Atlanta.

Atlanta tied the game in the eighth on Eddie Perez's homer and pinch-hitter Keith Lockhart's run-scoring double after Todd Handley hit a three-run homer in the top of the inning to give the Mets a 7-5 lead.

Chipper Jones gave Atlanta a 5-1 lead in the fifth with his third grand slam in 13 games, and his second in 10 at-hats.

Padres 11, Rockies 5 Ken Caminiti hit a pair of three-run homers, including a 465-foot blast in the first inning that made the San Diego star the first player to twice reach Coors Field's right-field third deck.

Colorado's Larry Walker homered and raised his average to .401. Tony Gwynn was 2-for-6 for San Diego, leaving him at .393.

Dodgers 11, Giants 0 Chan Ho Park pitched seven innings of three-hit ball and Mike Piazza and Tripp Cramer homered as Los Angeles routed visiting San Francisco.

Cardinals 3, Cubs 2 Gary Gaetti led off the ninth with his second homer of the game as St. Louis won in Chicago to end a four-game losing streak.

Marlins 8, Phillies 7 Alex Arias's ninth-inning pinch single gave Florida a comeback victory over Philadelphia. It was the visitors' 10th loss in 11 games.

The Consensus: He's 'the Real Deal'

By Murray Chass
New York Times Service

NEW YORK — Brian Hunter did not get a hit, or even get the ball out of the infield, in four tries, but he proclaimed afterward, "He's pretty good, not bad for a rookie, but he's not ready for the major-league level."

Raul Casanova, who stroked a single and a double in his first two tries, said: "He's a good pitcher. He belongs here."

The center fielder and the catcher for the Detroit Tigers were talking about the pitcher almost everyone else was talking about Thursday night at Yankee Stadium as well — the Yankees, the Tigers, the 51,901 fans.

The overwhelming consensus among the Yankees and the Tigers — except for Hunter — was that the Japanese pitcher Hideki Irabu is "the real deal."

Buddy Bell, the Tigers' manager, was impressed with Irabu's poise and composure.

"They were about as good as they can be under these circumstances," Bell said. "I can't imagine going over to Japan and feeling very comfortable."

David Coe, one of Irabu's new teammates, said he too was most impressed with Irabu's poise and command. "This was probably the biggest game he's ever pitched in his life," Coe said. "He knows what he's doing out there. He's got a real good feel for pitching."

Mixing split-finger fastballs and fastballs that surprised the Tigers because they were not as fast as advertised, the 28-year-old right-hander got eight of his first 12 outs on strikeouts and finished with nine in his 6 2/3 innings of work. He threw a strike on the first pitch to the first eight batters.

He allowed five hits but not an out to the outfield until his next-to-last batter in the seventh. Perhaps most impressively, after he plodded through his most difficult inning in the fifth — an inning

in which he threw eight consecutive balls — he dispatched three Detroit batters in the sixth on seven pitches, then finished off the two batters he faced in the seventh with four pitches.

After walking only one batter in 31 minor-league innings, Irabu walked four in the first five innings Thursday and went to 3-2 counts on three others.

But after throwing those eight consecutive balls to Travis Fryman and Tony Clark in the fifth, which loaded the bases after Bobby Higginsoo's run-scoring single, Irabu retired Bob Hamelin on a first-pitch grounder to Charlie Hayes at third base.

"That was a bad at-bat," Hamelin said. "I got to get a better pitch after he walked those guys. I saw the fastball and went out and got it, but it kind of dived away from me a little bit. That was the first time I saw that. The other fastballs were even and straight. That one had a little bit of sink."

Joe Girardi, Irabu's catcher, who said he had "a blast" catching the newcomer, said the pitch had surprised him, too.

"He threw a sinker, which I didn't know he had," he said. "I don't know if it was by design or he just dropped his arm. I called for a fastball, and I didn't expect the ball to sink so much. It was pretty nasty. I'm glad Hamelin swung because it shocked me."

Fryman, the most experienced Detroit hitter, liked what he saw. "He did a good job, and I think he's going to be a good pitcher," the third baseman said.

But Fryman also suggested a pattern that could develop against Irabu.

"I chased fastballs in the dirt both times," he said of strikeouts in his first at-bats. "The third time up, I laid off them and was able to work a walk. I think that's what you're going to see, teams being aggressive and swinging at a few bad pitches; then I think as teams get to see him, they'll be a little more patient."

Japanese Tune In to Yankee Stadium

The Associated Press

TOKYO — Japanese fans stopped on their way to work to watch Hideki Irabu make his major-league debut with the New York Yankees — and they liked what they saw.

All over the country, fans saw live coverage of the righthander pitching the Yankees to a 10-3 victory Thursday night over the Detroit Tigers.

NHK, Japan's public broadcaster, showed the game on 52 billboard-sized screens in 26 Japanese cities.

The game appeared live on one of its satellite channels starting at 8:30 A.M. on Friday in Japan and was replayed later in the day. The coverage matched that given to major-league playoffs.

Though rain kept the crowds down, hundreds of fans settled in front of a giant outdoor screen in Shinjuku to cheer the husky Japanese pitcher. Thousands more paused for a glimpse of the game as they commuted to work.

Irabu's debut captured attention in Japan not because he was an especially popular player but because the Japanese are proud to have sent another star to the U.S. major leagues.

"He did a great job," said Katsuyoshi Suita, a clerk in a shop that sells dried seaweed. "It makes Japanese baseball look good when players raised here make it to the majors."

A 'Load Off' for Alomar As Hit Streak Ends at 30

The Associated Press

After Sandy Alomar's 30-game hitting streak ended, he sounded almost relieved.

Alomar, the All-Star Game's most valuable player, went 0-for-4 in Cleveland's 8-2 loss Thursday night at Minnesota.

AL Roundup

sota. He popped up to end the game, and fell short of matching Nap Lajoie's team-record hitting streak of 31 set in 1906.

"It's a load off my back," Alomar said. "I'm swinging at a lot of bad pitches tonight. I felt anxious. I wanted to get it early."

Brad Radke won his seventh straight start, pitching seven effective innings. He struck Alomar out twice and also got him on a grounder. Greg Swindell pitched in relief for the Twins, retiring Alomar on the popout for the final out.

David Justice had three hits for the Indians in his first game back from the disabled list.

White Sox 6, Royals 3 Tony Muser lost in his debut as a big-league manager as

Kansas City dropped its ninth in a row. Muser, the former Chicago Cubs' batting coach, was hired Wednesday when Bob Boone was dismissed.

Frank Thomas and Ray Durham each drove in three runs for the visiting White Sox. Durham homered, doubled and scored a career-high four runs.

Mariners 12, Rangers 9 Joey Cora hit a three-run homer during a seven-run fifth inning, and Seattle overcame another big game by Juan Gonzalez to beat Texas at the Kingdome.

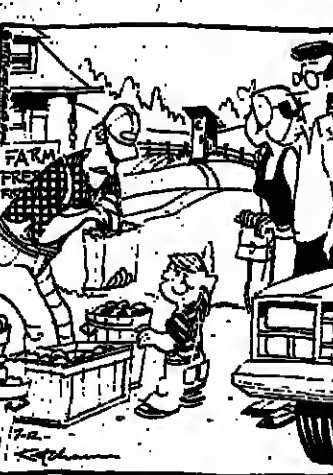
Gonzalez hit his 21st homer and drove in five runs. Jay Buhner tripled and doubled twice for the Mariners.

Red Sox 8, Blue Jays 7 Nomar Garciaparra hit a leadoff home run in the first inning and drew a bases-loaded walk in the 11th that lifted Boston over Toronto at Fenway Park.

Mo Vaughn, who missed the previous 20 games because of a knee problem, hit a two-run homer for the Red Sox.

Angels 8, Athletics 4 Jim Edmonds, who had not played in a week because of knee trouble, hit a homer and drove in three runs as Anaheim won in Oakland.

DENNIS THE MENACE



PEANUTS



GARFIELD



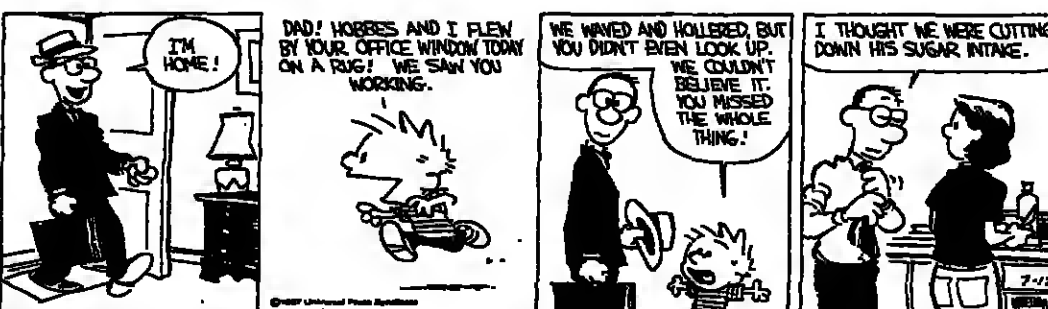
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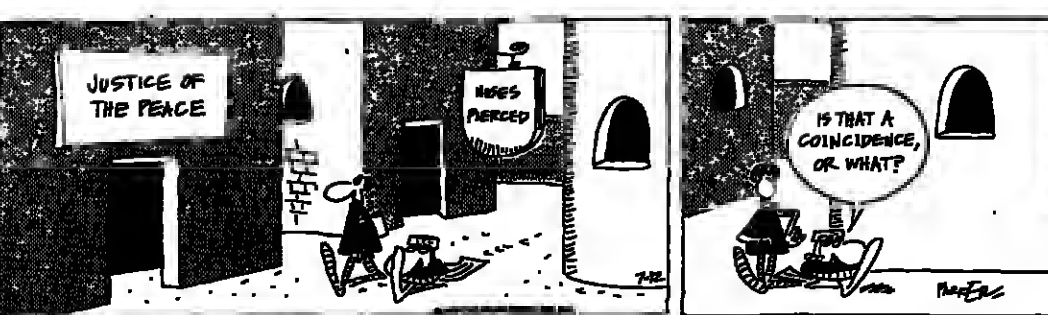
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DAVE BARRY

Check Your Car for Snakes

MIAMI — It's summer vacation time, and I'm sure you can't wait to jump into the family car and drive to fun and exciting new places, preferably before the family wakes up and realizes you're gone. But before you "hit the road," you should make sure your car is in proper mechanical condition. Drive to your local gas station, keep your horn, and when a friendly, competent mechanic comes out to help you, ask him to please call the mental hospital, because you are hallucinating. There ARE no friendly, competent mechanics at gas stations anymore; there are nervous cashiers locked inside bulletproof enclosures surrounded by smokeless-tobacco products.

So you'll have to inspect your car yourself. According to the American Automobile Association, the most important thing to determine about a car, before taking a trip, is: Does the car contain enough Cheez-Its? Vacationing Americans need to eat while they drive; it gives them something to do in between Waffle Houses. An average family of four will consume a pound of Cheez-Its every 50 highway miles (25 city), although your actual mileage will vary, depending on whether you also have Ding Dongs.

On the mechanical front, it goes without saying that you should inspect your car thoroughly — including engine, transmission, brakes and electrical system — for snakes. I say this in light of articles from two British newspapers, sent in by alert readers Trudy and Dan Simmons, concerning a sales representative named Nicholas Miller who was driving his car in England when he felt something slithering across his ankle. He looked down, and there, wrapped around his legs, with beady eyes staring from its scaly head and forked tongue flicking out, was: F. Lee Bailey.

No, seriously, it was a two-foot-long snake. According to the articles, Miller slammed on his brakes and jumped out of the car; the snake was eventually taken into police custody and turned over to a veterinarian, who determined that it was an American corn snake and fed it some dead crickets. The articles do not say how an American snake happened to be in England.

But the point is that there could be a snake living in your car right now, and it could have been there for a while. One of the British newspapers made this statement, which I am not making up: "Mr. Miller is convinced that the snake had been in his car for several days because of excrement on his boxes."

So you should go over your car with a fine-toothed comb looking for snake

excrement, always bearing in mind that "The Fabulous Snake Doo" would be an excellent name for a rock band. If your car does contain a snake, you can take it (the car) down to a Sears automotive center, where, no matter what you tell them, they will sell you new shock absorbers. Or you can remove the snake yourself by luring it out with a trail of dead crickets, which you can purchase in the bait department of your local gas station.

O.K.! Now you're ready for your vacation trip! The question is: Where should you go? The answer is: Not outside. I say this in light of another

The most important thing is: Does the car contain enough Cheez-Its?

British newspaper, this one sent in by alert reader Katy Decker. The article states that an MIT researcher has come up with a plan to plant trees by — I swear I am not making

this up — dropping them from air force bombers. The article states that the researcher "has designed a tree-holding canister capable of reaching 200 miles per hour before impact, then planting itself in the ground." Great! As if we didn't have enough problems with drugs and crime and the federal government, now we have to deal with high-speed trees dropping out of the sky! You will love this: The researcher claims this project would be safe, because before an area got tree-bombed, it would be checked for human inhabitants by — get ready — "Star Wars" technology. This does NOT reassure me. Over the past 10 years we have spent several billion dollars on the "Star Wars" system, and according to all reports, it still does not have a clue how to protect us from Russian missiles. Every time scientists fire up the main "Star Wars" computer, it goes: "WHICH ONE IS RUSSIA AGAIN?"

So if this tree project is implemented, I see danger ahead. Try to imagine what would happen if a Cheez-It-munching vacationing family were driving through some supposedly uninhabited wilderness area, with Dad at the wheel, pointing out various natural wonders ("Look, kids! There's a rock! It's made from minerals!") when suddenly a 200 mph strategic elm came hurtling out of the sky, piercing the family car like a lawn dart going through a Twinkie. What would happen is, the kids would think it was the coolest vacation ever. They hate it when Dad points out natural wonders.

So maybe the tree-planting project is a good idea. But just to be safe, I think I'm going to spend my summer vacation relaxing in a bomb shelter with a good book. I'm not going to read the book, you understand; I'm going to use the book to kill snakes.

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The Curious Case of the Czarist Bonds

International Herald Tribune

PARIS — When the philosopher Roland Barthes wrote his famous "Mythologies," including chapters on wrestling, margarine, Einstein's hair and Garbo's face, he explained that the link between these "myths" was insistence and repetition, two words that amply describe a subject he did not address: the Russian bonds bought by 2 million credulous French households through 1917 and, 80 years later, still not repaid.

In 1957, when Barthes wrote his book, Russian bonds were more a source of private anguish than public discourse. But two years earlier in the Jura, Marcel Grizey, a feisty retired Banque de France employee who had dealt with foreign

MARY BLUME

paper at work since 1915 and held some Russian bonds of his own, founded an association of Russian bondholders, encouraged by his friend, the perennial Fourth Republic cabinet minister Edgar Faure.

With righteous obsession, Grizey nagged politicians, journalists and even a nephew of President Charles de Gaulle, a Dominican priest who said Mass at the Elysee and who, Grizey thought, could introduce the subject of the bonds during a Sunday sermon. He didn't, de Gaulle had other problems, and Grizey's next target, Georges Pompidou having expressed sympathy but having failed to act, was presidential candidate Valéry Giscard d'Estaing who, Grizey liked to claim, had only been elected thanks to the support of bondholders whom he had promised to help. When Giscard ran for a second term, against Francois Mitterrand, Grizey warned that he should heed the cries of bondholders of the defaulted bonds in order to be re-elected. He didn't and he wasn't.

The Groupement National de Defense des Porteurs de Titres Russes, continues, with headquarters in Paris, fittingly on Rue de Moscou, and branches in the provinces. There are probably only 200,000 bondholders left, mortality and the wastebasket having taken their toll, of whom 25,000 belonged to the group until recent weeks when membership climbed to 30,000, thanks to the publication of "Emprunt Russe: Indemnisation Mode d'Emploi" (A User's Guide to Repayment of Russian Bonds), which is in its third printing since Balland published it on July 3.

Less excitable than Grizey, the group's president and the author of the book, Francois Bayle, says redemption of the bonds is now inevitable, probably at 25 to 30 percent of face value (for about 2,500 francs per bond) with, of course, no interest. "We aren't a bunch of nuts, we are very reasonable and realistic. All our members want is an honorable settlement which would show that there is some decency and morality in public life."

The sorry Russian bond story has always been political, Bayle says, and its victims were small investors eager to participate in the new capitalist dream. "It's a story familiar to all the French, they all lived through it even if 90 percent of them threw away or lost their bonds over the years."



Visit of czar in 1896 fanned French enthusiasm for Russian bonds.

France, weakened by the Franco-Prussian War, sought a new ally. Russia needed capital investment. The two countries signed a mutual defense pact and during the 1890s with sumptuous visits by the czar and his family the French public was led by the government and press into mass Russophilia, an enthusiasm surpassing even the arrival in Paris of the first giraffe in 1827 which led women to wear hair styled *a la giraffe*.

Not only were the Russians powerful and glamorous but their bonds, with a coupon at least 1 percent higher than French paper, were immensely attractive to small investors in a country where, unlike England, industry was not sufficiently developed to require much capital investment. Some 3,000 types of Russian paper were issued by 1917 in France, by far the highest investor.

Proust's Monsieur de Norpois advises the narrator to buy Russian bonds in "A l'Ombre des Jeunes Filles en Fleur" (1919) and Proust himself held North Caucasian Oil Field and Ural Kaspian bonds, perhaps surprisingly, none of the bonds issued by the Imperial Bank of the Nobility.

Russian bonds, says Bayle, an economic historian, were a good investment for those who cashed in before 1905. With the 1905 revolution, the Socialist Jean Jaures and Anatole France were among those who warned the public of the immorality and risk of investing in the repressive czarist regime. A rally explaining the dangers was broken up by the police;

Arthur Raffalovich, the Russian agent charged from the start with paying off the French press, continued his paymeots (Jaures's paper was the only holdout) and he acceded pleasantly to the post-1905 demand of Paris brokers to pay a further 200,000 francs a month to the press to ensure favorable coverage of bond issues.

Came the revolution and Lenin refused to recognize debts incurred by the czar. All protests were ignored for decades until Margaret Thatcher, having announced she could do business with Mikhail Gorbachev, himself eager to gain a toe-hold in Europe's financial center, signed an agreement by which British bondholders — far fewer in number than the French — would be reimbursed from czarist gold held in England.

The French group took hope but it turned out that 10 of the 12-man board of Grizey's organization had died, as had 900 out of 1,000 members. The doleful remnants got world coverage by demonstrating at the 1989 G-7 meeting because it was held on July 4, a dead news day on Wall Street, but they got nothing more while the United States, Switzerland and Canada all reached agreements with the Russians. "The sums involved were much less than in France, so it was easier," Bayle said.

The Rambouillet accord of 1990 between Gorbachev and Francois Mitterrand in which indemnization was promised was followed by the fall of Gorbachev. Boris Yeltsin, interested in joining such fancy dining clubs as the G-7 and also in getting and floating new loans, indicated a willingness to settle the old debt and in 1996 Prime Minister Alain Juppe announced that the Russians would allocate \$300 million to \$400 million to close the problem. The details of the agreement, claims Bayle, have never been revealed and the commission named to handle the settlement has been hampered by one of its members being accused of corruption.

Bayle's group is limited to descendants of people who bought the pre-revolutionary bonds, most of them holding three or four, the biggest authenticated holder has 1,400. But, he says, since news of the settlement has been in the air many new claimants have bought packets of bonds at flea markets and also there are several mysterious new owners of as many as 500,000 bonds, some of them Russian mobsters, others people who have obtained them by dishonest means from French banks or government sources.

"Why should our small holders who have held the bonds for 80 years have to share with dishonest speculators?" he asked. The dossier is in the hands of the new prime minister, Lionel Jospin. "At this point it's not a Franco-Russian problem but a Franco-French one," Bayle said. The \$400 million repayment, he claims, will easily be made by subtracting it from the 1 billion francs France lends Russia each year; making sure it falls into the right hands is another thing.

In the meantime, this newspaper's list of the 250 most active current international bonds for the week ending July 4 included two Russian bonds in 14th and 162nd place. They are rated low investment grade but they carry very tempting coupons, of 10 and 9 1/4 percent.

PEOPLE

A COPY of a contract published in Paris March reveals that Claudia Schiffer was paid to show up at David Copperfield's Berlin magic show in 1993. The couple's story always has been that their romance ignited when the magician spotted the model seated with her parents in the audience and invited her on stage. The contract provided for a first-class round-trip ticket from Paris to Berlin, a Mercedes limo, a bodyguard and about \$20,000 plus a 20 percent agency commission. "She will remain in Berlin for 24 hours, during which time she shall attend the entire 9 P.M. show and participate in the reception following the show," wrote Brigitte Eckmann of Wolfgang Bocksch Concerts, Copperfield's European promoter. "We kindly ask you not to disclose the terms of this agreement to anybody, to any party other than the principals involved." Schiffer and Copperfield denied, through a spokesman, that they had any financial arrangement to pretend to be a couple. Their engagement is apparently open-ended; they have not set a wedding date.

Camilla Parker Bowles will not face charges in connection with an auto accident last month, in which Parker Bowles, Prince Charles's longtime companion, had a collision with a car driven by Carolyn Melville-Smith. Neither woman was seriously injured, and the Wiltshire police said there was not enough evidence to support any charges.

U2's "PopMart" tour of the United States has grossed \$49 million in four months for the Irish supergroup, or an average \$2.4 million per show. Variety magazine said. Earlier reports predicted financial problems for the stadium tour in America after the cancellation of shows because of poor ticket sales. But Pollstar, another specialist publication, said the group recorded a higher turnover in ticket sales in North America than any other group or performer in the first half of the year. U2 played its last concert in Boston on July 2 and is to kick off a European tour with a concert next Friday in Rotterdam.

Viewers of "Sesame Street" will now have their own space mission to follow: Oscar the Grouch's pet worm, Slimey, is headed to the moon. "We know that children are fascinated and they're eager to learn more about space travel," said Rosemarie Truglio, "Sesame Street" research director. It will be the show's first concentrated exploration of science issues in its 29-year history. Along the way, Oscar deals with separation anxiety and Tooy Beckett



CURTAIN UP — A worker in Volgesheim, France, putting the finishing touches on a new curtain for the opera house in Madrid. Meters and meters of gold leaf and several kilograms of glass beads were used.

serenades our hero with a rendition of "Slimey to the Moon."

A 10-year-old British boy barely able to read and write has had a book published. Jacob Connors, who has a reading age of 5, dictated his fantasy story "The Queberry" into a tape recorder. The book tells the story of creatures called the queberries, who are fat, with long pointed chins and banana-shaped arms. Jacob's teacher was so impressed with the tale she persuaded her bosses at Bradford City Council to publish it for distribution to other schools. "I'm getting much better at

reading and writing now," Jacob said. "I can't wait to see it on sale in the shops."

Andrew Wyeth, who turns 80 on Saturday, is discovering that less is more. The artist critiqued his best-known work, a 1948 painting of a woman lying in a field looking across her land and home. "If I was really good, I could have done the field in 'Christina's World' without her in there," Wyeth says in a TV interview. "The less you have in a picture, the better the picture is, really."

Ordinarily, even one of the bedroom scenes recounted in a former Iranian movie star's memoirs would have been enough for Iran's censors to ban her best-seller. But "Till Darkness" is no ordinary memoir. It is a kiss-and-tell account of Parvin Ghaffari's three-year affair with the late shah, who was overthrown in the 1979 Islamic revolution. Ghaffari has become the talk of the two in Tehran, and some newspapers criticized the Ministry of Culture and Islamic Guidance for allowing its publication and pried some of the objectionable passages to illustrate their point. But that only served to whet the appetite of readers, who snapped up all 10,000 copies of the book soon after it appeared this summer. The memoir portrays the shah as "stingy, possessive and lustful," and her descriptions of the rest of the royal family are just as unflattering.

American Poet Rejects Award

New York Times Service

NEW YORK — Angry that "democracy in this country has been in decline," Adrienne Rich, the award-winning poet, has decided to turn down the 1997 National Medal for the Arts. Rich informed the Clinton administration of her decision in a letter to Jane Alexander, chairwoman of the National Endowment for the Arts, which administers the awards. "I am not against government in general, but I am against a government where so much power is concentrated in so few hands," Rich said in a telephone interview from her home in Santa Cruz, California.

Past winners include the writer Eudora Welty, the artist Roy Lichtenstein, the dancer and choreographer Merce Cunningham, and the opera diva Leontyne Price. Rich, 68, has published more than 15 volumes of poetry since 1951, including her most recent, "Dark Fields of the Republic: Poems 1991-1995." Rich views poetry as an instrument of change, and her work has sometimes been dismissed by critics for being political. In her letter to Alexander, Rich wrote that "the very meaning of art, as I understand it, is incompatible with the cynical politics of this administration."

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